

# State of IDAHO

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013



# RURAL IDAHO



Hecla Mine Ruins in Burke, Idaho

Photo Courtesy of Jason Abbott

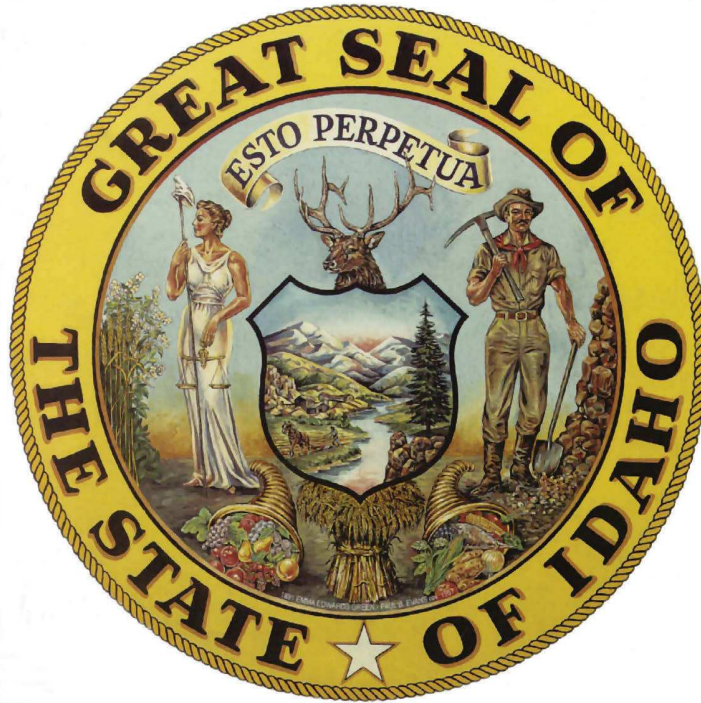


On the Cover: *The Old Mission* in Cataldo, Idaho

Photo Courtesy of Phil Kuntz

State of  
**IDAHO**

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2013

C.L. "Butch" Otter  
Governor

Brandon D Woolf  
State Controller

Prepared by the Office of the State Controller

*This document and related information are available at [www.sco.idaho.gov](http://www.sco.idaho.gov)*



# Office of the State Controller

---

IDAHO

Brandon D Woolf  
State Controller

## ACKNOWLEDGMENTS:

Merideth Hackney, CGFM  
Administrator  
Division of Statewide Accounting

Brandon Purcell, CGFM, CFE  
Bureau Chief  
Bureau of Reporting and Review

Carol Bearce, CGFM  
Jennifer Bonilla  
Chris Floyd, CPA  
Tiffini LeJeune, CGFM  
Matt McBride, CGFM  
Joey Sanchez  
Tari Stockton, CPA  
Chris Stratton

Thanks and appreciation to the Bureaus of Accounting Operations, Systems Administration,  
and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to  
contribute accurate, timely financial data for their agencies make this report possible.



# Comprehensive Annual Financial Report

IDAHO

For The Fiscal Year Ended June 30, 2013

## TABLE OF CONTENTS

### **INTRODUCTORY SECTION**

|                                                                       |    |
|-----------------------------------------------------------------------|----|
| State Controller's Letter of Transmittal .....                        | vi |
| Certificate of Achievement for Excellence in Financial Reporting..... | ix |
| Idaho State Government Organization Chart .....                       | x  |
| Elected Officials of the State of Idaho .....                         | xi |

### **FINANCIAL SECTION**

|                                           |   |
|-------------------------------------------|---|
| Independent Auditor's Report .....        | 2 |
| Management's Discussion and Analysis..... | 4 |

### **BASIC FINANCIAL STATEMENTS**

|                                                                                                                                                  |    |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Government-Wide Financial Statements                                                                                                             |    |
| Statement of Net Position.....                                                                                                                   | 14 |
| Statement of Activities .....                                                                                                                    | 16 |
| Governmental Fund Financial Statements                                                                                                           |    |
| Balance Sheet .....                                                                                                                              | 18 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....                                                    | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances .....                                                                          | 22 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities..... | 25 |
| Proprietary Fund Financial Statements                                                                                                            |    |
| Statement of Net Position.....                                                                                                                   | 26 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position.....                                                                           | 28 |
| Statement of Cash Flows.....                                                                                                                     | 30 |
| Fiduciary Fund Financial Statements                                                                                                              |    |
| Statement of Fiduciary Net Position .....                                                                                                        | 32 |
| Statement of Changes in Fiduciary Net Position.....                                                                                              | 33 |
| Component Units                                                                                                                                  |    |
| Statement of Net Position .....                                                                                                                  | 34 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position .....                                                                          | 36 |
| Index for Notes to the Financial Statements .....                                                                                                | 38 |
| Notes to the Financial Statements.....                                                                                                           | 39 |

### **REQUIRED SUPPLEMENTARY INFORMATION**

|                                                                                    |     |
|------------------------------------------------------------------------------------|-----|
| Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds ..... | 104 |
| Note to Budgetary Reporting.....                                                   | 106 |
| Infrastructure – Modified Approach Reporting .....                                 | 107 |
| Pension – Schedule of Funding Progress.....                                        | 108 |
| Other Postemployment Benefits – Schedules .....                                    | 109 |

### **COMBINING FINANCIAL STATEMENTS**

|                                                                                           |     |
|-------------------------------------------------------------------------------------------|-----|
| Nonmajor Governmental Funds                                                               |     |
| Narrative.....                                                                            | 111 |
| Balance Sheet.....                                                                        | 112 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances .....                   | 114 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual..... | 116 |

# Comprehensive Annual Financial Report

IDAHO

For The Fiscal Year Ended June 30, 2013

|                                                                               |     |
|-------------------------------------------------------------------------------|-----|
| Nonmajor Enterprise Funds                                                     |     |
| Narrative .....                                                               | 123 |
| Statement of Net Position .....                                               | 124 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position .....       | 125 |
| Statement of Cash Flows .....                                                 | 126 |
| Internal Service Funds                                                        |     |
| Narrative .....                                                               | 127 |
| Statement of Net Position .....                                               | 128 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position .....       | 129 |
| Statement of Cash Flows .....                                                 | 130 |
| Fiduciary Funds                                                               |     |
| Narrative .....                                                               | 133 |
| Statement of Fiduciary Net Position –                                         |     |
| Pension and Other Employee Benefit Trust Funds.....                           | 134 |
| Statement of Changes in Fiduciary Net Position –                              |     |
| Pension and Other Employee Benefit Trust Funds.....                           | 136 |
| Statement of Fiduciary Net Position – Investment Trust Funds .....            | 138 |
| Statement of Changes in Fiduciary Net Position – Investment Trust Funds ..... | 139 |
| Statement of Assets and Liabilities – Agency Fund .....                       | 140 |
| Statement of Changes in Assets and Liabilities – Agency Fund .....            | 141 |

## **STATISTICAL SECTION**

|                                                                                                 |     |
|-------------------------------------------------------------------------------------------------|-----|
| Index to the Statistical Section .....                                                          | 143 |
| Schedule 1 - Net Position by Component .....                                                    | 144 |
| Schedule 2 - Changes in Net Position .....                                                      | 146 |
| Schedule 3 - Fund Balances – Governmental Funds.....                                            | 148 |
| Schedule 4 - Changes in Fund Balances – Governmental Funds.....                                 | 150 |
| Schedule 5 - Revenue Base.....                                                                  | 152 |
| Schedule 6 - Revenue Rates.....                                                                 | 154 |
| Schedule 7 - Revenue Payers by Industry/Category .....                                          | 156 |
| Schedule 8 - Outstanding Debt Ratios .....                                                      | 158 |
| Schedule 9 - Other Long-Term Liabilities .....                                                  | 159 |
| Schedule 10 - Pledged Revenue Coverage.....                                                     | 160 |
| Schedule 11 - Demographic and Economic Indicators .....                                         | 162 |
| Schedule 12 - Principal Employers .....                                                         | 164 |
| Schedule 13 - Education Enrollment.....                                                         | 164 |
| Schedule 14 - State Employees by Function.....                                                  | 165 |
| Schedule 15 - Operating Indicators by Function.....                                             | 166 |
| Schedule 16 - Capital Assets by Function.....                                                   | 168 |
| Schedule 17 - Assets, Liabilities, and Fund Balances – General Fund Accounts .....              | 170 |
| Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts..... | 172 |
| Schedule 19 - Miscellaneous Statistics .....                                                    | 174 |

# INTRODUCTORY SECTION



Middleton, Idaho

Photo Courtesy of Andrea D. Cobler



**STATE OF IDAHO**  
**OFFICE OF THE STATE CONTROLLER**  
**Brandon D Woolf**

December 23, 2013

To: The Citizens, Governor, and Members of the Idaho State Legislature

As the State's Chief Fiscal Officer, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013, in accordance with Idaho Code Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board.

The Office of the State Controller assumes responsibility for both the reliability and completeness of the information presented in this report. Internal controls are designed to provide reasonable, but not absolute, assurance the financial statements are free from material misstatement. I am confident the data presented is accurate in all material respects and fairly sets forth the financial position of state operations based upon the internal control structure established by management.

In accordance with Idaho Code Section 67-702, the Legislative Audit staff of the State Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2013. Based upon that audit, the independent auditor has issued an unqualified opinion that the State of Idaho's basic financial statements are fairly presented in conformity with GAAP. The Independent Auditor's Report is located at the front of the financial section of this report.

In addition, the Legislative Audit staff conducts statewide audits under the Federal Single Audit Act of 1984 and the related Office of Management and Budget Circular No. A-133 in order to meet the special needs of federal grantor agencies. Information regarding Idaho's Single Audit is issued in a separate report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report on page 4 and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The intent of this letter of transmittal is to complement the MD&A and should be read in conjunction with it.

**PROFILE OF THE GOVERNMENT**

The State of Idaho was admitted into the Union as the 43<sup>rd</sup> state in 1890. The State covers 83,557 square miles and has a population of 1.6 million people.

Idaho's government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is administered and supervised by the Idaho Supreme Court, which is presided over by a Chief Justice and four Associate Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. The financial reporting entity includes all funds of the primary government as well as material component units for which the primary government is financially accountable. Additional information on component units can be found in Note 1 to the financial statements.

The annual budgetary process serves as the foundation for the State's financial planning and control. Budgets are annually appropriated for the following governmental funds: general, special revenue, capital projects, and earnings of the permanent funds. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The expenditures of any fiscal year may not exceed anticipated revenues, ensuring a balanced budget. The budgetary process is further described in the note to the budgetary schedule on page 106 and the separately issued Legal Basis Financial Report.

## ECONOMIC CONDITION

### Financial Policies

Article VII of the Idaho Constitution allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon sales tax or income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

Per Idaho Code the State is able to maintain reserves for the purposes of meeting General Fund revenue shortfalls, meeting expenses incurred because of a major disaster, providing tax relief to the citizens of Idaho on a one-time basis, or providing a uniform and thorough system of public education. Overall increases in the reserve funds indicate the State's steady emergence from the effects of the recent recession. In fiscal year 2014, the Budget Stabilization Fund is expected to reach its new statutory ceiling of \$137.5 million, or 5 percent of the total General Fund collections from the prior year.

| <b>Fund and Idaho Code</b>               | <b>FY13 End<br/>Balance</b> | <b>Dollar<br/>Change</b> |
|------------------------------------------|-----------------------------|--------------------------|
| Budget Stabilization (57-814)            | \$135.1 M                   | \$111.3 M                |
| Economic Recovery (67-3520)              | 0.1 M                       | (0.2 M)                  |
| Public Education Stabilization (33-907)  | 49.0 M                      | 12.1 M                   |
| Higher Education Stabilization (33-3726) | 0.9 M                       | 0.6 M                    |
| <b>Totals</b>                            | <b>\$185.1 M</b>            | <b>\$123.8 M</b>         |

Note 13 contains additional detailed information regarding reserve funds.

### Economy

Idaho's economy is on the rebound and many of the biggest hurdles are in the rearview. Nearly all sectors and components of the economy are forecast to perform well in the next few years, though some caution is still warranted.

In general, the construction sector has, once again, become a catalyst for recovery over the past year. Specifically, the housing market outlook has improved. Housing starts continued to rise in 2013 and are forecast to grow an average of 16.1 percent per year over the next four years, while construction employment is expected to increase 7.5 percent per year.

An increase in construction activity nationwide has pulled Idaho's logging and wood products sector back into growth

mode. Due to increased manufacturing efficiencies, employment in this sector will likely not reach previous highs in the foreseeable future, but growth in the logging and wood products sector is anticipated to improve, on average, by 14.7 percent per year through 2016.

Idaho recently became the nation's third largest milk producing state with 578,000 head of milk cows that produced 13.3 billion pounds of milk in 2011. As a direct consequence of Idaho's milk production, Greek yogurt manufacturer, Agro Farma, opened a \$450 million, one million square-foot facility in southwestern Idaho. The plant employs approximately 400 people and has the capacity to employ more in the future.

Nonfarm employment is forecast to improve 3.1 percent over the next four years, while national employment growth is predicted to average about 1.7 percent per year. Current nonfarm employment of 639,081 is expected to grow to 721,858 jobs by 2017.

Personal income declined in the second half of fiscal year 2013 due in part to the expiration of the temporary two-percentage point payroll tax cut. However, personal income growth is expected to return to positive territory during the first half of fiscal year 2014. Economists predict Idaho will also see a rise in per capita income from \$35,073 in 2013 to \$40,686 in 2017.

### Long-Term Financial Planning

A notable impact to fiscal year 2014 revenue forecasts includes new legislation reducing personal property taxes for businesses by \$23.8 million and shifting the responsibility to the General Fund to keep counties and local taxing districts whole. Revenue forecasts for fiscal year 2014 predict increases in individual income and sales taxes of 2.2 percent and 4.2 percent, respectively. Corporate income tax receipts are forecast to drop by 2.7 percent; this drop is expected due to a filing collections surge in fiscal year 2013 caused by taxpayers moving income into calendar year 2012 from calendar year 2013 in anticipation of higher federal income tax rates. Projected tax revenue for fiscal year 2014 includes \$1.3 billion of individual income, \$193.2 million of corporate income, and \$1.2 billion of sales tax.

In order to improve and maintain the State's system of roads and highways, the Legislature in 2006 authorized the Idaho Transportation Board to issue Grant Anticipation Revenue Vehicle (GARVEE) bonds. The GARVEE program allows the planning, designing, and building of more highway projects in less time than traditional funding methods. To date, \$675.0 million have been drawn from \$840.0 million in issued bonds. Improvements to six major transportation corridors have been initiated, with all GARVEE projects to be completed in fiscal year 2014.

## Major Initiatives

- The Department of Health and Welfare received an appropriation of \$2.5 billion in fiscal year 2014, an increase of 4.4 percent from the previous year. Medicaid spending represents 81.1 percent of the Department's total appropriation. Federal funding provided 64.7 percent of the Department's total appropriation. Health and Welfare received \$52.3 million in new funding with \$47.7 million provided by federal funds. This new funding will:
  - Increase Medicaid program benefit payments under the Affordable Care Act.
  - Provide federal electronic health records incentive payments to providers.
  - Continue to fund the Health Home Network Development project, which seeks to integrate managed care approaches into Idaho's Medicaid program.
  - Authorize and fund a temporary rate increase to primary care providers.
- The Public Schools' appropriation is \$1.6 billion for fiscal year 2014, which includes a \$26.1 million increase from the previous year. For the second consecutive year, federal funding decreased (\$10.2 million), bringing the total reduction to \$69.5 million. The 2014 appropriation provides:
  - An increase in teachers' minimum salaries from \$30,500 to \$31,000 per year.
  - \$8.4 million for Idaho Core Standards professional development.
  - \$12.6 million for achievement awards.
  - \$13.4 million for technology and infrastructure projects.
  - Restoration of \$6.5 million for facilities maintenance.
- A total appropriation of \$203.9 million for the Department of Correction in fiscal year 2014 is an overall increase of 2.1 percent from the prior year. This increase will cover inmate population growth and contractual inflationary adjustments.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its CAFR for the fiscal year ended June 30, 2012. This is the 16<sup>th</sup> consecutive year the State has achieved this prestigious award. To be awarded a Certificate of Achievement, the report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The State Controller's Office is committed to this ongoing effort and intends to maintain a highly qualified and professional staff to make Idaho's certification possible.

The Public Employee Retirement System of Idaho (PERSI) has prepared a CAFR for the System for the last 22 years. The PERSI also received GFOA's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2012.

The State Controller's Office takes great pride in the preparation of this comprehensive report. I am pleased to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for their independence, dedication, and professionalism. Credit must also be given to Governor Otter and other state leaders for their dedication towards the management of Idaho's finances.

Respectfully submitted,



Brandon D Woolf  
Idaho State Controller



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Idaho**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

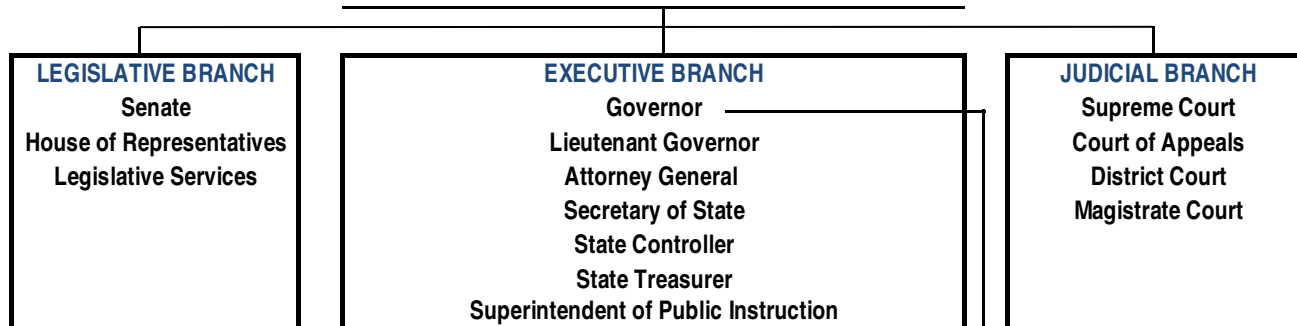
Executive Director/CEO



# State Government Organization

IDAHO

## Citizens of Idaho



## State Entities by Function

| General Government                                                                                                                                                                                                                                                                                                                                                              | Education                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Natural Resources                                                                                                                                                                                                                                                                                                        | Economic Development                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board of Tax Appeals<br>Commissions:<br>Aging<br>Arts<br>Blind and Visually Impaired<br>Idaho Code<br>Tax<br>Uniform Laws<br>Department of Administration<br>Divisions of:<br>Financial Management<br>Human Resources<br>Liquor<br>Military<br>Offices of:<br>Drug Policy<br>Species Conservation<br>Public Employee Retirement System<br>State Bar<br>State Building Authority | Boise State University<br>Division of Professional-Technical Education<br>Eastern Idaho Technical College<br>Idaho State University<br>Lewis-Clark State College<br>Public Broadcasting<br>State Board of Education<br>University of Idaho<br>Vocational Rehabilitation<br><br><b>Public Safety</b><br>Brand Inspector<br>Commissions:<br>Pardons and Parole<br>Racing<br>Correctional Industries<br>Departments of:<br>Correction<br>Juvenile Corrections<br>Idaho State Police | Departments of:<br>Environmental Quality<br>Fish and Game<br>Lands<br>Parks and Recreation<br>Water Resources<br>Endowment Fund<br>Investment Board<br>Office of Energy Resources<br>Lava Hot Springs Foundation<br><br><b>Health and Human Services</b><br>Catastrophic Health Care<br>Department of Health and Welfare | Appellate Public Defender<br>Boards of:<br>Accountancy<br>Dentistry<br>Engineers and Surveyors<br>Examiners<br>Medicine<br>Nursing<br>Outfitters and Guides<br>Pharmacy<br>Veterinary Medicine<br>Bureau of Occupational Licenses<br>Commissions:<br>Dairy Products<br>Hispanic Affairs<br>Industrial<br>Libraries<br>Potato<br>Public Utilities<br>Real Estate<br>Soil and Water Conservation<br>Wheat<br>Departments of:<br>Agriculture<br>Commerce<br>Finance<br>Insurance<br>Labor<br>Transportation<br>Divisions of:<br>Building Safety<br>Veterans Services<br>Idaho State Lottery<br>State Historical Society |



# Statewide Elected Officials

IDAHO



C.L. "Butch" Otter  
*Governor*



Ben Ysursa  
*Secretary of State*



Brandon D Woolf  
*State Controller*



Brad Little  
*Lieutenant Governor*



Ron G. Crane  
*State Treasurer*



Lawrence G. Wasden  
*Attorney General*



Tom Luna  
*Superintendent of  
Public Instruction*



Scott Bedke  
*Speaker,  
Idaho House of  
Representatives*



Roger S. Burdick  
*Chief Justice,  
Idaho Supreme Court*



Brent Hill  
*President  
Pro Tempore,  
Idaho State Senate*



# FINANCIAL SECTION



*Passmore's Old Truck and Barn in Idaho Falls, Idaho*

Photo Courtesy of Mike Hargis



# Legislative Services Office

## Idaho State Legislature

*Serving Idaho's Citizen Legislature*

**Jeff Youtz**  
Director

December 23, 2013

Independent Auditor's Report

Honorable C.L. "Butch" Otter, Governor  
Honorable Members of the Legislature  
Honorable Brandon D. Woolf, State Controller

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho and their respective component units, nor the Idaho Potato Commission, Idaho Dairy Products Commission, Idaho State Bar, Idaho Wheat Commission, Endowment Fund Investment Board, State Lottery Commission, Public Employee Retirement System of Idaho, Public Employees' Deferred Compensation Plan, Idaho Judges' Retirement Fund, IDEal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Idaho Building Authority, Bond Bank Authority, and the Idaho Housing and Finance Association, which represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

| <u>Government-Wide Financial Statements</u>    | <u>Percent of<br/>Assets</u> | <u>Percent of<br/>Revenues</u> |
|------------------------------------------------|------------------------------|--------------------------------|
| Primary Government – Governmental Activities   | 16.9%                        | 4.9%                           |
| Primary Government – Business-Type Activities  | 60.5%                        | 56.9%                          |
| Aggregate Discretely Presented Component Units | 98.9%                        | 99.1%                          |

| <u>Fund Financial Statements</u>                        | <u>Percent of<br/>Assets</u> | <u>Percent of<br/>Revenues</u> |
|---------------------------------------------------------|------------------------------|--------------------------------|
| Governmental Funds Land Endowments – Major Fund         | 99.9%                        | 100.0%                         |
| Proprietary Funds College and Universities – Major Fund | 100.0%                       | 100.0%                         |
| Aggregate Remaining Fund Information                    | 85.2%                        | 30.7%                          |

Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies and component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

**Mike Nugent, Manager**  
Research & Legislation

**Cathy Holland-Smith, Manager**  
Budget & Policy Analysis

**April Renfro, Manager**  
Legislative Audits

**Glenn Harris, Manager**  
Information Technology

Statehouse, P.O. Box 83720  
Boise, Idaho 83720-0054

Tel: 208-334-2475  
[www.legislature.idaho.gov](http://www.legislature.idaho.gov)

entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Idaho's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

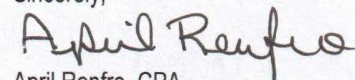
The combining and individual fund financial statements and schedules are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Idaho's internal control over financial reporting and compliance.

Sincerely,



April Renfro, CPA  
Legislative Services Office, Audits Division Manager

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State's annual financial report presents our discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2013. Please read it in conjunction with the transmittal letter, which can be found on page vi of the Introductory Section and the financial statements which begin on page 13.

### FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

#### Government-Wide Highlights

Idaho reported a net position of \$10.4 billion for the fiscal year ended June 30, 2013, comprised of \$13.4 billion in total assets and \$6.8 billion in deferred outflows of resources offset by \$3.0 billion in total liabilities and \$6.8 billion in deferred inflows of resources. Unrestricted net position of \$979.8 million may be used to meet the State's ongoing obligations to citizens and creditors.

The State's total net position increased by \$593.7 million as a result of this year's operations. Net position of governmental activities increased \$459.4 million, while net position of business-type activities increased \$134.3 million.

The cost of all the State's programs was \$7.7 billion, which includes \$1.5 billion in business-type activities.

#### Fund Highlights

At the close of the fiscal year the State's governmental funds reported combined ending fund balances of \$2.9 billion, an increase of \$297.3 million in comparison with the prior year. Approximately \$1.3 billion of the ending fund balance cannot be spent because it is not in spendable form or because of legal or contractual requirements. Another \$1.3 billion of the ending fund balance is restricted, committed, or assigned for a specific purpose and may be spent upon legislative approval. About \$389.5 million of the ending fund balance is the General Fund's unassigned fund balance and may be spent at the State's discretion, with legislative approval.

#### Long-Term Debt

The State's long-term debt decreased \$31.9 million from the prior year to \$1,393.1 million, comprised of \$779.9 million in governmental activities and \$613.2 million in business-type activities.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which include the

following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this financial report includes required supplementary information and other supplementary information.

#### Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which provide information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Position* reports all of the State's assets plus deferred outflows of resources minus liabilities and deferred inflows of resources, with the remainder reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

*Governmental activities* encompass most of the State's basic services such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Taxes and federal grants are the major funding sources for most of these activities.

*Business-type activities* account for operations that function in a manner similar to a private business, where all or a significant portion of costs are recovered through

user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.

*Discretely presented component units* are organizations legally separate yet financially accountable to the State. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, and the Idaho Bond Bank Authority.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

*Governmental funds* account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the fund financial statements focus on near-term inflows and outflows of resources, as well as on balances available at the end of the fiscal year that are available for future spending. Such information may be useful in evaluating the State's near-term financial position. This approach is known as using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, permanent funds, and capital projects funds.

Two schedules in the governmental fund financial statements reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). Comparing the information presented for governmental funds with similar information presented in the government-wide financial statements may provide a better understanding of the long-term impact of the State's near-term financing decisions.

*Proprietary funds* account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration.

Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services to other funds or departments of the primary government. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

*Fiduciary funds* account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

### **Notes to the Financial Statements**

The notes to the financial statements beginning on page 38 provide additional information that is essential to an understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information that further supports the information in the financial statements. The Required Supplementary Information section begins on page 103 and includes the following:

- Budgetary comparison schedules and note disclosure that show how the General, Health and Welfare, and Transportation funds presented in the governmental fund financial statements reconcile to the legally adopted budget
- Condition and maintenance data regarding the State's infrastructure reported using the modified approach
- Schedules of funding progress, employer contributions, and actuarial information related to the State's obligation to provide pension and postemployment benefits to certain employees

### **Other Supplementary Information**

Combining financial statements, starting on page 110, are presented to provide more detail for nonmajor special revenue, capital projects, proprietary, and fiduciary funds. The total columns of these combining financial statements agree with the applicable combined fund financial statement.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

## Net Position

Net position measures the difference between assets and deferred outflows of resources versus liabilities and deferred inflows of resources. Net position may serve over time as a useful indicator of the State's financial position. The State's assets and deferred outflows of resources exceeded liabilities and deferred inflows of

resources by \$10.4 billion for the most recent fiscal year. The State's combined net position increased \$593.7 million over the course of this fiscal year's operations. Net position of governmental activities increased \$459.4 million and business-type activities net position increased \$134.3 million.

| <b>Net Position</b><br><b>June 30, 2013 and 2012</b><br><i>(dollars in thousands)</i> |                                |                    |                                 |                    |                                 |                    |
|---------------------------------------------------------------------------------------|--------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|--------------------|
|                                                                                       | <b>Governmental Activities</b> |                    | <b>Business-Type Activities</b> |                    | <b>Total Primary Government</b> |                    |
|                                                                                       | <b>2013</b>                    | <b>2012*</b>       | <b>2013</b>                     | <b>2012*</b>       | <b>2013</b>                     | <b>2012*</b>       |
| <b>Assets</b>                                                                         |                                |                    |                                 |                    |                                 |                    |
| Current and Other Assets                                                              | \$4,436,636                    | \$4,195,491        | \$1,591,558                     | \$1,613,805        | \$6,028,194                     | \$5,809,296        |
| Capital Assets                                                                        | 6,159,383                      | 5,998,584          | 1,200,806                       | 1,156,999          | 7,360,189                       | 7,155,583          |
| <b>Total Assets</b>                                                                   | <b>10,596,019</b>              | <b>10,194,075</b>  | <b>2,792,364</b>                | <b>2,770,804</b>   | <b>13,388,383</b>               | <b>12,964,879</b>  |
| Deferred Outflows of Resources                                                        | 6,824                          | 9,282              |                                 |                    | 6,824                           | 9,282              |
| <b>Total Assets and Deferred Outflows of Resources</b>                                | <b>10,602,843</b>              | <b>10,203,357</b>  | <b>2,792,364</b>                | <b>2,770,804</b>   | <b>13,395,207</b>               | <b>12,974,161</b>  |
| <b>Liabilities</b>                                                                    |                                |                    |                                 |                    |                                 |                    |
| Other Liabilities                                                                     | 1,236,155                      | 1,227,243          | 155,954                         | 219,307            | 1,392,109                       | 1,446,550          |
| Long-Term Liabilities                                                                 | 989,263                        | 1,055,600          | 653,595                         | 702,968            | 1,642,858                       | 1,758,568          |
| <b>Total Liabilities</b>                                                              | <b>2,225,418</b>               | <b>2,282,843</b>   | <b>809,549</b>                  | <b>922,275</b>     | <b>3,034,967</b>                | <b>3,205,118</b>   |
| Deferred Inflows of Resources                                                         | 6,824                          | 9,282              |                                 |                    | 6,824                           | 9,282              |
| <b>Total Liabilities and Deferred Inflows of Resources</b>                            | <b>2,232,242</b>               | <b>2,292,125</b>   | <b>809,549</b>                  | <b>922,275</b>     | <b>3,041,791</b>                | <b>3,214,400</b>   |
| <b>Net Position:</b>                                                                  |                                |                    |                                 |                    |                                 |                    |
| Net Investment in                                                                     |                                |                    |                                 |                    |                                 |                    |
| Capital Assets                                                                        | 5,378,941                      | 5,245,731          | 737,208                         | 695,405            | 6,116,149                       | 5,941,136          |
| Restricted                                                                            | 2,274,707                      | 2,133,964          | 982,739                         | 901,322            | 3,257,446                       | 3,035,286          |
| Unrestricted                                                                          | 716,953                        | 531,537            | 262,868                         | 251,802            | 979,821                         | 783,339            |
| <b>Total Net Position</b>                                                             | <b>\$8,370,601</b>             | <b>\$7,911,232</b> | <b>\$1,982,815</b>              | <b>\$1,848,529</b> | <b>\$10,353,416</b>             | <b>\$9,759,761</b> |

\*Amounts in these columns have been restated. More detailed information regarding net position can be found in Note 13.

The largest component of the State's net position, 59.1 percent (\$6.1 billion), reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, equipment, software, and capital assets in progress), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending.

Restricted net position is the next largest component, comprising 31.4 percent (\$3.3 billion). These resources are not available for general use due to restrictions placed on them by external parties such as creditors,

grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 9.5 percent (\$1.0 billion) of net position represents unrestricted net position, which may be used at the State's discretion but often has limitations on use based on state statutes.

At the end of the current fiscal year, the State reported positive balances in all three categories of net position for the State as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

## Changes in Net Position

Over time, increases or decreases in the State's net position are an indicator of whether its financial health is improving or deteriorating. The following condensed financial information was derived from the current and prior year government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year:

**Change in Net Position**  
**For the Fiscal Years Ended June 30, 2013 and 2012**  
*(dollars in thousands)*

|                                              | <b>Governmental<br/>Activities</b> |                    | <b>Business-Type<br/>Activities</b> |                    | <b>Total<br/>Primary Government</b> |                    | <b>Total<br/>Percent<br/>Change</b> |
|----------------------------------------------|------------------------------------|--------------------|-------------------------------------|--------------------|-------------------------------------|--------------------|-------------------------------------|
|                                              | 2013                               | 2012*              | 2013                                | 2012*              | 2013                                | 2012*              |                                     |
| <b>Revenues</b>                              |                                    |                    |                                     |                    |                                     |                    |                                     |
| Program Revenues                             |                                    |                    |                                     |                    |                                     |                    |                                     |
| Charges for Services                         | \$635,402                          | \$641,619          | \$1,139,093                         | \$1,139,971        | \$1,774,495                         | \$1,781,590        | (0.4)                               |
| Operating Grants and Contributions           | 2,828,808                          | 2,664,743          | 383,575                             | 485,777            | 3,212,383                           | 3,150,520          | 2.0                                 |
| Capital Grants and Contributions             | 10,492                             | 2,568              | 38,364                              | 24,944             | 48,856                              | 27,512             | 77.6                                |
| General Revenues                             |                                    |                    |                                     |                    |                                     |                    |                                     |
| Sales Tax                                    | 1,315,002                          | 1,213,623          |                                     |                    | 1,315,002                           | 1,213,623          | 8.4                                 |
| Individual and Corporate Taxes               | 1,533,850                          | 1,390,226          |                                     |                    | 1,533,850                           | 1,390,226          | 10.3                                |
| Other Taxes                                  | 458,154                            | 457,006            |                                     |                    | 458,154                             | 457,006            | 0.3                                 |
| Other                                        | 44,054                             | 38,468             |                                     |                    | 44,054                              | 38,468             | 14.5                                |
| <b>Total Revenues</b>                        | <b>6,825,762</b>                   | <b>6,408,253</b>   | <b>1,561,032</b>                    | <b>1,650,692</b>   | <b>8,386,794</b>                    | <b>8,058,945</b>   | <b>4.1</b>                          |
| <b>Expenses</b>                              |                                    |                    |                                     |                    |                                     |                    |                                     |
| General Government                           | 470,836                            | 413,832            |                                     |                    | 470,836                             | 413,832            | 13.8                                |
| Public Safety and Correction                 | 353,585                            | 335,493            |                                     |                    | 353,585                             | 335,493            | 5.4                                 |
| Health and Human Services                    | 2,532,626                          | 2,396,437          |                                     |                    | 2,532,626                           | 2,396,437          | 5.7                                 |
| Education                                    | 1,707,233                          | 1,712,567          |                                     |                    | 1,707,233                           | 1,712,567          | (0.3)                               |
| Economic Development                         | 811,193                            | 820,530            |                                     |                    | 811,193                             | 820,530            | (1.1)                               |
| Natural Resources                            | 245,452                            | 264,080            |                                     |                    | 245,452                             | 264,080            | (7.1)                               |
| Interest Expense                             | 49,961                             | 50,372             |                                     |                    | 49,961                              | 50,372             | (0.8)                               |
| College and University                       |                                    |                    | 986,269                             | 969,419            | 986,269                             | 969,419            | 1.7                                 |
| Unemployment Compensation                    |                                    |                    | 252,666                             | 358,283            | 252,666                             | 358,283            | (29.5)                              |
| Loan                                         |                                    |                    | 8,487                               | 7,112              | 8,487                               | 7,112              | 19.3                                |
| State Lottery                                |                                    |                    | 150,599                             | 134,055            | 150,599                             | 134,055            | 12.3                                |
| State Liquor                                 |                                    |                    | 135,565                             | 123,656            | 135,565                             | 123,656            | 9.6                                 |
| Correctional Industries                      |                                    |                    | 7,677                               | 8,030              | 7,677                               | 8,030              | (4.4)                               |
| <b>Total Expenses</b>                        | <b>6,170,886</b>                   | <b>5,993,311</b>   | <b>1,541,263</b>                    | <b>1,600,555</b>   | <b>7,712,149</b>                    | <b>7,593,866</b>   | <b>1.6</b>                          |
| Increase (Decrease) in Net Position          |                                    |                    |                                     |                    |                                     |                    |                                     |
| before Special Item and Transfers            | 654,876                            | 414,942            | 19,769                              | 50,137             | 674,645                             | 465,079            | 45.1                                |
| Special Item                                 |                                    |                    | (80,990)                            |                    | (80,990)                            |                    | (100.0)                             |
| Transfers                                    | (195,507)                          | (178,453)          | 195,507                             | 178,453            |                                     |                    |                                     |
| <b>Change in Net Position</b>                | <b>459,369</b>                     | <b>236,489</b>     | <b>134,286</b>                      | <b>228,590</b>     | <b>593,655</b>                      | <b>465,079</b>     | <b>27.6</b>                         |
| Net Position, Beginning of Year, as Restated | 7,911,232                          | 7,674,743          | 1,848,529                           | 1,619,939          | 9,759,761                           | 9,294,682          | 5.0                                 |
| <b>Net Position, End of Year</b>             | <b>\$8,370,601</b>                 | <b>\$7,911,232</b> | <b>\$1,982,815</b>                  | <b>\$1,848,529</b> | <b>\$10,353,416</b>                 | <b>\$9,759,761</b> | <b>6.1</b>                          |

\*Amounts in these columns have been restated.

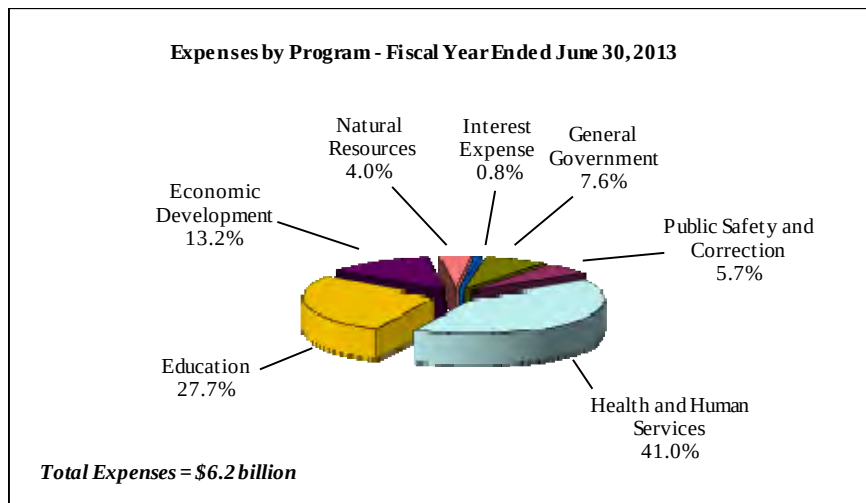
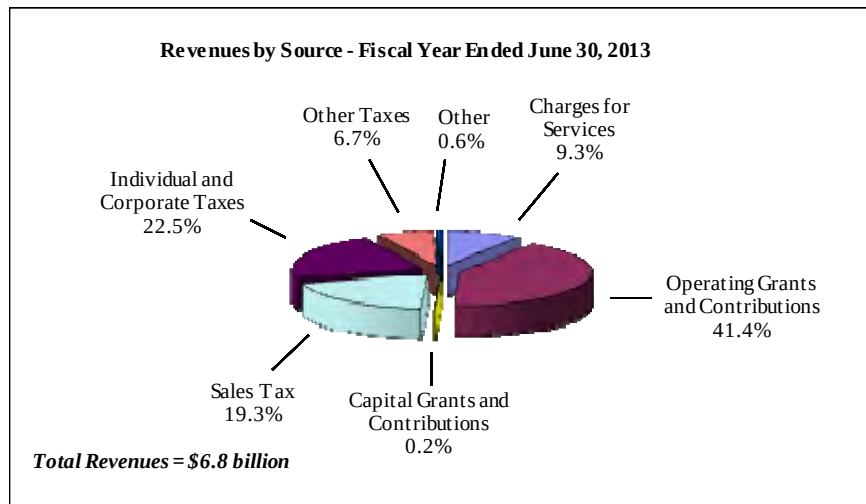
The Total Percent Change column shows the percentage change in operation from fiscal year 2012 to 2013 for each line item. Readers should be cautious when using this column to evaluate the overall change in net position. Although a line may show a large percentage change (e.g., 77.6 percent for Capital Grants and Contributions of \$21.3 million), it may not have as significant of an effect on the overall change in net position as a change in a more material line item with a smaller percentage change (e.g., 5.7 percent for Health and Human Services of \$136.2 million).

## Governmental Activities

The overall financial position for Governmental Activities improved during the fiscal year, as evidenced by the 5.8 percent (\$459.4 million) increase in net position. The key elements of this increase include an increase of 10.3 percent (\$143.6 million) in individual and corporate tax revenue and an increase of 8.4 percent (\$101.4 million) in sales tax revenue. Revenues for operating grants and contributions increased by 6.2 percent (\$164.1 million) from the prior year primarily due to an increase in the fair market value of Endowment Fund Investment Board investments and

interest income. Increased revenues were offset by an increase in expenditures for health and human services by 5.7 percent (\$136.2 million) from the prior year due to increased medical assistance payments for Medicaid and rehabilitation services. In addition, expenditures increased in general government by 13.8 percent (\$57.0 million) primarily due to losses on disposal of buildings of \$13.1 million, and an increase in lease payments and buildings and improvements of \$16.7 million and \$16.1 million, respectively.

The following charts depict revenues and expenses of the governmental activities:

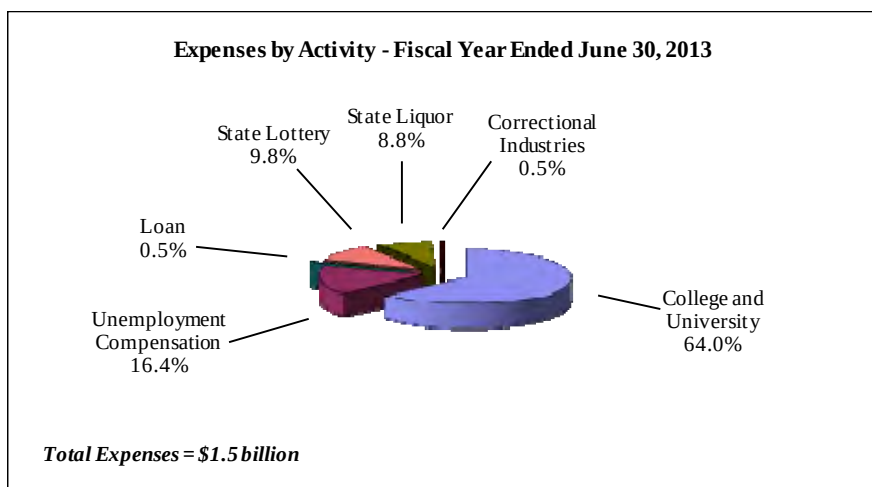
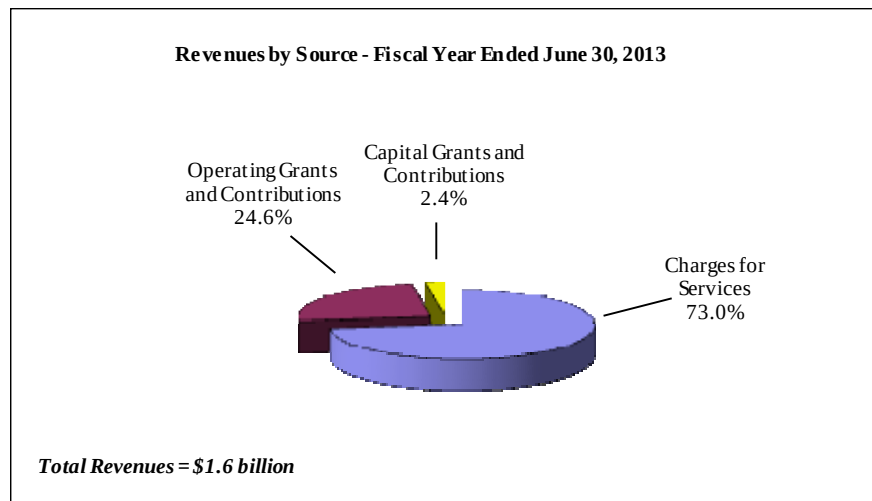


## Business-Type Activities

Business-type activities' net position increased by 7.3 percent (\$134.3 million) during the fiscal year. The largest changes were seen in the following funds:

- College and University fund net position decreased by 1.7 percent (\$17.2 million) from the prior year balance of \$1,031.2 million primarily due to a one-time transfer of \$81.0 million of restricted, nonexpendable trust assets from the University of Idaho to their Foundation. Expenses increased during the year for personnel (\$26.0 million).
- The Unemployment Compensation fund net position increased by 44.9 percent (\$128.6 million), from the previous year's balance of \$286.7 million. The increase was due mainly to a reduction in unemployment benefit payments of \$101.0 million. As the jobless rate continued falling in 2013 so did benefit payments. The reduction in benefit payments also reduced federal employment security revenue by \$84.0 million. In addition, assessment collections decreased by \$35.5 million due to a reduction in the employer contribution rate.

The following charts depict revenues and expenses of the business-type activities:



## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

## Governmental Funds

At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2.9 billion, an increase of \$297.3 million in comparison with fiscal year 2012. The governmental fund balance is classified as follows:

- *Nonspendable* either due to its form or legal constraints such as permanent trusts: \$1.3 billion (43 percent)
- *Restricted* for a specific purpose either by creditors, grantors, constitutional provisions, or enabling legislation: \$948.8 million (32.2 percent)
- *Committed* for specific purposes by the Legislature or for satisfying contractual requirements: \$273.0 million (9.3 percent)
- *Assigned* for a specific purpose as that intent is expressed by the Legislature or a governing body or official to whom the Legislature has delegated the authority: \$66.5 million (2.3 percent)
- *Unassigned* is the General Fund balance that has not been designated for another fund and that has not been restricted, committed, or assigned to a specific purpose within the General Fund: \$389.5 million (13.2 percent)

The General Fund is the chief operating fund of the State. During the fiscal year fund balance increased 28.7 percent (\$197.0 million) primarily due to increases in individual and corporate income tax of \$142.7 million and increased sales tax revenue of \$103.9 million. In addition, investment income increased by \$20.2 million from the prior year due to increases in the fair market value of investments. These increases were offset by increased education expenditures of \$44.1 million. Transfers in of cash from other funds increased primarily due to a \$37.6 million reversion from the Health and Welfare fund as a result of decreased medical assistance services.

The Health and Welfare fund balance decreased by \$41.5 million during the fiscal year primarily due to a decrease in other taxes of \$23.3 million, a \$37.6 million reversion transferred to the General Fund as a result of decreased medical assistance services, and an increase of \$216.5 million in medical assistance payments, mainly related to Medicaid and rehabilitation services. This increase in payments was offset by an increase in federal grant revenue of \$156.3 million.

The Transportation fund balance decreased 9.7 percent (\$22.9 million) during the fiscal year primarily as a result

of an increase in economic development expenditures of \$23.6 million and a decrease in federal grants from federal stimulus dollars for highway improvements of \$37.1 million.

The Land Endowments fund balance increased by \$180.1 million from the prior year. Income revenue from investments increased 7 percent (\$2.0 million), which is attributable to higher dividend rates, partly offset by lower interest rates. The fair market value of investments increased from the previous year by \$167.6 million due to a rise in stock prices.

The Nonmajor Governmental fund balance decreased by \$15.4 million during the fiscal year, mainly due to a decrease in federal stimulus funding of \$70.3 million and reductions in bonds and notes issued and payments to refunded bond escrow from the prior year by \$84.9 million and \$76.6 million, respectively. Sale of goods and services revenue increased \$23.8 million, primarily due to an increase in rent payments. During the year education expenditures decreased by \$45.9 million mainly due to a decrease in federal grants.

## Proprietary Funds

Proprietary funds provide the same type of information found in the Business-Type Activities columns of the government-wide financial statements, but in more detail.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The State does not adopt a revenue budget; therefore, the Budgetary Comparison Schedule reflects budgeted revenues as being equal to actual revenues. General Fund receipts for the fiscal year were \$92.3 million more than forecasted. The difference between forecasted and actual revenues collected was due primarily to higher than predicted collections of individual income tax revenue of \$40.9 million (3.3 percent), sales tax revenue of \$27.3 million (2.5 percent), corporate income tax revenue of \$14.9 million (8.1 percent) and miscellaneous revenue of \$8.1 million (8.2 percent). The cash balance carried over into fiscal year 2014 was \$60.0 million. Overall, General Fund receipts were \$210.5 million more in fiscal year 2013 than in fiscal year 2012.

The original expenditures budget amount on the Budgetary Comparison Schedule represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks,

Board of Examiners reductions, object transfers, activity transfers, and receipts to the appropriation. The variance between the final budget and actual spending was a favorable \$137.2 million (4.6 percent). The natural

resources function within the General Fund reported a negative variance of \$9.2 million stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2013 the State had \$7.4 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below.

Depreciation expense for this fiscal year totaled \$154.5 million.

#### Capital Assets as of June 30, 2013 and 2012

(Net of depreciation, dollars in thousands)

|                                   | Governmental<br>Activities |                    | Business-Type<br>Activities |                    | Total<br>Primary Government |                    |
|-----------------------------------|----------------------------|--------------------|-----------------------------|--------------------|-----------------------------|--------------------|
|                                   | 2013                       | 2012*              | 2013                        | 2012*              | 2013                        | 2012*              |
| Land and Land Use Rights          | \$1,057,069                | \$1,043,424        | \$123,581                   | \$105,640          | \$1,180,650                 | \$1,149,064        |
| Capital Assets in Progress        | 943,204                    | 842,363            | 39,150                      | 82,512             | 982,354                     | 924,875            |
| Infrastructure--not Depreciated   | 2,553,564                  | 2,480,733          | 2,322                       | 2,274              | 2,555,886                   | 2,483,007          |
| Historical Art and Collections    | 122                        | 122                |                             |                    | 122                         | 122                |
| Buildings and Improvements        | 589,531                    | 609,683            | 901,413                     | 834,250            | 1,490,944                   | 1,443,933          |
| Improvements Other Than Buildings | 66,610                     | 64,314             | 31,122                      | 32,062             | 97,732                      | 96,376             |
| Machinery, Equipment, and Other   | 257,527                    | 253,693            | 103,218                     | 100,261            | 360,745                     | 353,954            |
| Infrastructure--Depreciated       | 691,756                    | 703,313            |                             |                    | 691,756                     | 703,313            |
| <b>Total</b>                      | <b>\$6,159,383</b>         | <b>\$5,997,645</b> | <b>\$1,200,806</b>          | <b>\$1,156,999</b> | <b>\$7,360,189</b>          | <b>\$7,154,644</b> |

\*These columns have been restated. More detailed information can be found in Note 6.

This year's major capital asset additions include \$260.1 million spent for infrastructure assets, which includes capital assets in progress (\$167.9 million), roadways (\$79.8 million), rights-of-way (\$11.8 million), and bridges (\$0.6 million); and \$24.8 million spent for health and welfare software development and implementation.

The State uses the traditional method of depreciation for its 1,824 bridges and 41 rest areas or ports of entry. The State adopted the modified approach for reporting roads. Under this alternative method certain maintenance and preservation costs are expensed, and depreciation expense is not reported. Approximately 12,222 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The roadway surface condition is determined using three pavement condition data elements: international roughness index, rutting depth, and pavement distress (cracking). Roadway surface is categorized as good, fair, poor, or very poor. The State's established condition level is to have no more than 30 percent of pavement in poor or very poor condition. The latest condition assessment rating showed that the State had 14 percent of its road surfaces in poor or very poor condition, a slight increase from the

13 percent condition assessment in calendar year 2011. During fiscal year 2013 the State spent \$125.8 million to maintain Idaho's road surfaces. This amount is 20.3 percent (\$21.2 million) more than the estimated amount of \$104.6 million to maintain Idaho's road surfaces. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in the Required Supplementary Information.

### Long-Term Debt

Article VIII Section 1 of the Idaho Constitution, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law, and which have no power to levy taxes or obligate the General Fund of the State, are not debts or liabilities of the State.

Idaho Code Title 40 addresses the increasing need for timely improvements to Idaho's highway infrastructure.

The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a liability of the State in violation of the Idaho Constitution.

New debt resulted mainly from the Idaho Transportation Department issuing \$52.3 million in notes payable for highway projects. Revenue bonds were issued to refund outstanding bonds by the Idaho State Building Authority (\$20.0 million), Boise State University (\$26.0 million), Idaho State University (\$31.3 million), and the University of Idaho (\$15.1 million).

Moody's Investors Service has assigned the State of Idaho an issuer rating of Aa1 with a stable outlook. Idaho currently has no general obligation debt outstanding. The State's Tax Anticipation Notes, which carry the faith and credit pledge of the State, are rated MIG 1. The rating for the state building revenue bonds issued by the Idaho State Building Authority is rated Aa2, with a stable outlook. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

#### **ECONOMIC FACTS AND NEXT YEAR'S BUDGET**

Idaho's unemployment rate rose another two-tenths to 6.8 percent in August 2013, the fourth monthly increase and the third two-tenths increase in a row. At the same time total employment decreased as employers expanded payrolls covered by unemployment insurance. The national unemployment rate in August was 7.3 percent. Idaho's rate has remained below the national rate for

nearly 12 years. Total state employment in August was below 721,000.

The Idaho Legislature faced continued economic growth, a welcomed trend since the recession years. Idaho's economic forecast called for modest growth in revenues for the third straight year. Although viewed cautiously by the Legislature, an optimistic economic outlook set the stage for a budget process that was able to keep intact all of the State's current year spending obligations with a few enhancements in services. This maintenance level budget covered the major inflationary factors for fiscal year 2014, including Medicaid costs and caseload, indigent health care, and educational enrollment growth.

The overall General Fund budget for fiscal year 2014 is \$2.8 billion (2.9 percent increase). Public schools received a General Fund appropriation of \$1.3 billion (2.2 percent increase); colleges and universities received \$236.5 million (3.8 percent increase); Medicaid received \$477.5 million (0.7 percent increase); and corrections received \$180.8 million (7.1 percent increase). Legislation was passed to reduce personal property taxes and shift the responsibility to the General Fund, to keep counties and local taxing districts whole with an annual cost of \$20.0 million. The State's cash reserves were increased by \$111.3 million during fiscal year 2013.

#### **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150, or [cafr@sco.idaho.gov](mailto:cafr@sco.idaho.gov).

# BASIC FINANCIAL STATEMENTS



*Beauty in the Breakdown* Near Winchester, Idaho

Photo Courtesy of Chris Cable

## Statement of Net Position

June 30, 2013

(dollars in thousands)

|                                                                           | Primary Government      |                          |                     |
|---------------------------------------------------------------------------|-------------------------|--------------------------|---------------------|
|                                                                           | Governmental Activities | Business-Type Activities | Total               |
| <b>ASSETS</b>                                                             |                         |                          |                     |
| Cash and Cash Equivalents                                                 | \$8,150                 | \$449,430                | \$457,580           |
| Pooled Cash and Investments                                               | 1,173,938               | 140,089                  | 1,314,027           |
| Investments                                                               | 1,660,699               | 269,978                  | 1,930,677           |
| Securities Lending Collateral                                             | 489,942                 |                          | 489,942             |
| Accounts Receivable, Net                                                  | 67,614                  | 176,590                  | 244,204             |
| Taxes Receivable, Net                                                     | 355,235                 |                          | 355,235             |
| Internal Balances                                                         | 15,351                  | (15,351)                 |                     |
| Due from Other Entities                                                   | 240,709                 | 445                      | 241,154             |
| Inventories and Prepaid Items                                             | 52,888                  | 26,518                   | 79,406              |
| Due from Primary Government                                               |                         |                          |                     |
| Due from Component Unit                                                   |                         | 2,291                    | 2,291               |
| Loans, Notes, and Pledges Receivable, Net                                 | 6,448                   | 298,554                  | 305,002             |
| Other Assets                                                              | 13,322                  | 12,558                   | 25,880              |
| Restricted Assets:                                                        |                         |                          |                     |
| Cash and Cash Equivalents                                                 | 156,952                 | 111,663                  | 268,615             |
| Investments                                                               | 195,388                 | 118,793                  | 314,181             |
| Capital Assets:                                                           |                         |                          |                     |
| Nondepreciable                                                            | 4,553,959               | 165,053                  | 4,719,012           |
| Depreciable, Net                                                          | 1,605,424               | 1,035,753                | 2,641,177           |
| <b>Total Assets</b>                                                       | <b>10,596,019</b>       | <b>2,792,364</b>         | <b>13,388,383</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                         |                          |                     |
| Deferred Outflows                                                         | 6,824                   |                          | 6,824               |
| <b>Total Assets and Deferred Outflows of Resources</b>                    | <b>\$10,602,843</b>     | <b>\$2,792,364</b>       | <b>\$13,395,207</b> |
| <b>LIABILITIES</b>                                                        |                         |                          |                     |
| Accounts Payable                                                          | \$402,022               | \$27,015                 | \$429,037           |
| Payroll and Related Liabilities                                           | 42,961                  | 53,702                   | 96,663              |
| Medicaid Payable                                                          | 94,551                  |                          | 94,551              |
| Due to Other Entities                                                     | 75,269                  | 7,340                    | 82,609              |
| Unearned Revenue                                                          | 56,873                  | 48,329                   | 105,202             |
| Amounts Held in Trust for Others                                          | 29,878                  | 3,182                    | 33,060              |
| Due to Primary Government                                                 |                         |                          |                     |
| Due to Component Unit                                                     |                         | 568                      | 568                 |
| Obligations Under Securities Lending                                      | 489,942                 |                          | 489,942             |
| Other Accrued Liabilities                                                 | 44,659                  | 15,818                   | 60,477              |
| Long-Term Liabilities:                                                    |                         |                          |                     |
| Due Within One Year                                                       | 178,934                 | 88,819                   | 267,753             |
| Due in More Than One Year                                                 | 810,329                 | 564,776                  | 1,375,105           |
| <b>Total Liabilities</b>                                                  | <b>2,225,418</b>        | <b>809,549</b>           | <b>3,034,967</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                         |                          |                     |
| Deferred Inflows                                                          | 6,824                   |                          | 6,824               |
| <b>NET POSITION</b>                                                       |                         |                          |                     |
| Net Investment in Capital Assets                                          | 5,378,941               | 737,208                  | 6,116,149           |
| Restricted for:                                                           |                         |                          |                     |
| Claims and Judgments                                                      | 25,677                  |                          | 25,677              |
| Debt Service                                                              | 15,714                  | 553                      | 16,267              |
| Intergovernmental Revenue Sharing                                         | 10,941                  |                          | 10,941              |
| Transportation                                                            | 210,098                 |                          | 210,098             |
| Regulatory                                                                | 61,920                  |                          | 61,920              |
| Natural Resources and Recreation                                          | 125,169                 | 460,339                  | 585,508             |
| Unemployment Compensation                                                 |                         | 415,325                  | 415,325             |
| Permanent Trust - Expendable                                              | 245,243                 | 48,989                   | 294,232             |
| Permanent Trust - Nonexpendable                                           | 1,395,767               |                          | 1,395,767           |
| Other Purposes                                                            | 184,178                 | 57,533                   | 241,711             |
| Unrestricted                                                              | 716,953                 | 262,868                  | 979,821             |
| <b>Total Net Position</b>                                                 | <b>8,370,601</b>        | <b>1,982,815</b>         | <b>10,353,416</b>   |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <b>\$10,602,843</b>     | <b>\$2,792,364</b>       | <b>\$13,395,207</b> |

The accompanying notes are an integral part of the financial statements.

| Component | Units       |
|-----------|-------------|
|           | \$81,917    |
|           | 1,034       |
|           | 548,064     |
|           | 19,472      |
|           | 839         |
|           | 1,110       |
|           | 731,102     |
|           | 1,280,728   |
|           | 10,731      |
|           | 104,116     |
|           | 224,057     |
|           | 6,369       |
|           | 35,573      |
|           | 3,045,112   |
|           | 87,705      |
|           | \$3,132,817 |
|           | \$2,662     |
|           | 554         |
|           | 15,670      |
|           | 35,223      |
|           | 2,291       |
|           | 207,043     |
|           | 184,017     |
|           | 2,004,428   |
|           | 2,451,888   |
|           | 4,987       |
|           | 18,733      |
|           | 135,879     |
|           | 114,352     |
|           | 307,387     |
|           | 1,536       |
|           | 98,055      |
|           | 675,942     |
|           | \$3,132,817 |

## Statement of Activities

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                       |                    | Program Revenues           |                                          |                                        |
|---------------------------------------|--------------------|----------------------------|------------------------------------------|----------------------------------------|
|                                       |                    | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
|                                       | Expenses           |                            |                                          |                                        |
| <b>FUNCTIONS</b>                      |                    |                            |                                          |                                        |
| <b>Primary Government</b>             |                    |                            |                                          |                                        |
| Governmental Activities               |                    |                            |                                          |                                        |
| General Government                    | \$470,836          | \$104,973                  | \$78,836                                 |                                        |
| Public Safety and Correction          | 353,585            | 40,801                     | 15,509                                   | \$67                                   |
| Health and Human Services             | 2,532,626          | 72,574                     | 1,787,867                                |                                        |
| Education                             | 1,707,233          | 13,707                     | 257,254                                  | 436                                    |
| Economic Development                  | 811,193            | 252,221                    | 411,842                                  | 2,394                                  |
| Natural Resources                     | 245,452            | 151,126                    | 277,500                                  | 7,595                                  |
| Interest Expense                      | 49,961             |                            |                                          |                                        |
| Total Governmental Activities         | 6,170,886          | 635,402                    | 2,828,808                                | 10,492                                 |
| Business-Type Activities              |                    |                            |                                          |                                        |
| College and University                | 986,269            | 445,649                    | 294,294                                  | 38,364                                 |
| Unemployment Compensation             | 252,666            | 314,630                    | 73,921                                   |                                        |
| Loan                                  | 8,487              | 11,072                     | 15,360                                   |                                        |
| State Lottery                         | 150,599            | 198,169                    |                                          |                                        |
| State Liquor                          | 135,565            | 161,620                    |                                          |                                        |
| Correctional Industries               | 7,677              | 7,953                      |                                          |                                        |
| Total Business-Type Activities        | 1,541,263          | 1,139,093                  | 383,575                                  | 38,364                                 |
| <b>Total Primary Government</b>       | <b>\$7,712,149</b> | <b>\$1,774,495</b>         | <b>\$3,212,383</b>                       | <b>\$48,856</b>                        |
| <b>Component Units</b>                |                    |                            |                                          |                                        |
| Idaho Housing and Finance Association | \$187,427          | \$148,663                  | \$49,115                                 | \$435                                  |
| College and University Foundation     | 68,961             | 1,187                      | 75,462                                   |                                        |
| Petroleum Clean Water Trust           | 1,896              | 2,785                      |                                          |                                        |
| Health Reinsurance                    | 13,669             | 8,326                      | 839                                      |                                        |
| Bond Bank Authority                   | 14,052             | 13,193                     |                                          |                                        |
| <b>Total Component Units</b>          | <b>\$286,005</b>   | <b>\$174,154</b>           | <b>\$125,416</b>                         | <b>\$435</b>                           |

**GENERAL REVENUES**

Sales Tax  
Individual and Corporate Taxes  
Fuel Tax  
Other Taxes  
Tobacco Settlement  
Unrestricted Investment Earnings  
Payments from State of Idaho

**Permanent Endowment Contributions****Special Item****Transfers****Total General Revenues, Contributions, Special Item, and Transfers****Change in Net Position****Net Position - Beginning of Year, as Restated****Net Position - End of Year**

| Net (Expense) Revenue and Changes in Net Position |                          |              |                 |
|---------------------------------------------------|--------------------------|--------------|-----------------|
| Primary Government                                |                          |              |                 |
| Governmental Activities                           | Business-Type Activities | Total        | Component Units |
| (\$287,027)                                       |                          | (\$287,027)  |                 |
| (297,208)                                         |                          | (297,208)    |                 |
| (672,185)                                         |                          | (672,185)    |                 |
| (1,435,836)                                       |                          | (1,435,836)  |                 |
| (144,736)                                         |                          | (144,736)    |                 |
| 190,769                                           |                          | 190,769      |                 |
| (49,961)                                          |                          | (49,961)     |                 |
| (2,696,184)                                       |                          | (2,696,184)  |                 |
|                                                   | (\$207,962)              | (207,962)    |                 |
|                                                   | 135,885                  | 135,885      |                 |
|                                                   | 17,945                   | 17,945       |                 |
|                                                   | 47,570                   | 47,570       |                 |
|                                                   | 26,055                   | 26,055       |                 |
|                                                   | 276                      | 276          |                 |
|                                                   | 19,769                   | 19,769       |                 |
| (2,696,184)                                       | 19,769                   | (2,676,415)  |                 |
|                                                   |                          |              | \$10,786        |
|                                                   |                          |              | 7,688           |
|                                                   |                          |              | 889             |
|                                                   |                          |              | (4,504)         |
|                                                   |                          |              | (859)           |
|                                                   |                          |              | 14,000          |
| 1,315,002                                         |                          | 1,315,002    |                 |
| 1,533,850                                         |                          | 1,533,850    |                 |
| 237,647                                           |                          | 237,647      |                 |
| 220,507                                           |                          | 220,507      |                 |
| 24,912                                            |                          | 24,912       |                 |
| 19,142                                            |                          | 19,142       |                 |
|                                                   |                          |              | 4,504           |
|                                                   |                          |              | 862             |
|                                                   | (80,990)                 | (80,990)     | 80,990          |
| (195,507)                                         | 195,507                  |              |                 |
| 3,155,553                                         | 114,517                  | 3,270,070    | 86,356          |
| 459,369                                           | 134,286                  | 593,655      | 100,356         |
| 7,911,232                                         | 1,848,529                | 9,759,761    | 575,586         |
| \$8,370,601                                       | \$1,982,815              | \$10,353,416 | \$675,942       |

## Balance Sheet

## Governmental Funds

June 30, 2013

(dollars in thousands)

|                                            | General            | Health and<br>Welfare | Transportation   | Land<br>Endowments |
|--------------------------------------------|--------------------|-----------------------|------------------|--------------------|
| <b>ASSETS</b>                              |                    |                       |                  |                    |
| Cash and Cash Equivalents                  | \$1,243            |                       | \$7              |                    |
| Pooled Cash and Investments                | 784,513            | \$26,435              | 99,023           | \$753              |
| Investments                                | 15,986             |                       | 91,436           | 1,461,932          |
| Securities Lending Collateral              | 489,942            |                       |                  |                    |
| Accounts Receivable, Net                   | 21,463             | 13,684                | 2,432            | 14,266             |
| Taxes Receivable, Net                      | 336,979            | 127                   | 14,046           |                    |
| Interfund Receivables                      | 10,788             | 10                    |                  |                    |
| Due from Other Entities                    |                    | 149,246               | 27,720           |                    |
| Inventories and Prepaid Items              | 9,242              | 4,373                 | 19,435           | 4,944              |
| Loans, Notes, and Pledges Receivable, Net  | 1,264              |                       | 408              |                    |
| Other Assets                               | 94                 | 17                    | 381              | 4,214              |
| Restricted Assets:                         |                    |                       |                  |                    |
| Cash and Cash Equivalents                  | 4,223              | 8,149                 | 35,875           |                    |
| Investments                                | 174,269            | 3,923                 |                  |                    |
| <b>Total Assets</b>                        | <b>\$1,850,006</b> | <b>\$205,964</b>      | <b>\$290,763</b> | <b>\$1,486,109</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                    |                       |                  |                    |
| <b>Liabilities</b>                         |                    |                       |                  |                    |
| Accounts Payable                           | \$266,199          | \$37,547              | \$24,201         | \$24,838           |
| Payroll and Related Liabilities            | 14,536             | 8,739                 | 5,462            |                    |
| Medicaid Payable                           |                    | 94,551                |                  |                    |
| Interfund Payables                         | 1,883              | 1,375                 | 345              |                    |
| Due to Other Entities                      | 47,876             |                       | 27,393           |                    |
| Deferred Revenue                           | 122,958            | 54,351                | 14,461           |                    |
| Amounts Held in Trust for Others           | 21,526             | 5,599                 | 136              |                    |
| Obligations Under Securities Lending       | 489,942            |                       |                  |                    |
| Other Accrued Liabilities                  | 1,422              | 3,743                 | 6,244            |                    |
| <b>Total Liabilities</b>                   | <b>966,342</b>     | <b>205,905</b>        | <b>78,242</b>    | <b>24,838</b>      |
| <b>Fund Balances</b>                       |                    |                       |                  |                    |
| Nonspendable:                              |                    |                       |                  |                    |
| Permanent Trusts                           |                    |                       |                  | 1,211,084          |
| Inventories and Prepaid Items              | 9,242              | 4,373                 | 19,435           | 4,944              |
| Noncurrent Receivables                     | 50                 |                       |                  |                    |
| Restricted                                 | 219,271            | 1,995                 | 190,732          | 245,243            |
| Committed                                  | 195,479            | 52                    | 2,354            |                    |
| Assigned                                   | 63,806             |                       |                  |                    |
| Unassigned                                 | 395,816            | (6,361)               |                  |                    |
| <b>Total Fund Balances</b>                 | <b>883,664</b>     | <b>59</b>             | <b>212,521</b>   | <b>1,461,271</b>   |
| <b>Total Liabilities and Fund Balances</b> | <b>\$1,850,006</b> | <b>\$205,964</b>      | <b>\$290,763</b> | <b>\$1,486,109</b> |

The accompanying notes are an integral part of the financial statements.

---

| <b>Nonmajor<br/>Governmental</b> | <b>Total</b>       |
|----------------------------------|--------------------|
| \$6,900                          | \$8,150            |
| 225,407                          | 1,136,131          |
| 60,822                           | 1,630,176          |
|                                  | 489,942            |
| 15,714                           | 67,559             |
| 4,083                            | 355,235            |
| 717                              | 11,515             |
| 63,743                           | 240,709            |
| 12,777                           | 50,771             |
| 4,681                            | 6,353              |
| 869                              | 5,575              |
| 83,028                           | 131,275            |
| 17,196                           | 195,388            |
| <u>\$495,937</u>                 | <u>\$4,328,779</u> |

|                |                  |
|----------------|------------------|
| \$48,744       | \$401,529        |
| 13,555         | 42,292           |
|                | 94,551           |
| 1,762          | 5,365            |
|                | 75,269           |
| 41,715         | 233,485          |
| 2,617          | 29,878           |
|                | 489,942          |
| 2,539          | 13,948           |
| <u>110,932</u> | <u>1,386,259</u> |

|                  |                    |
|------------------|--------------------|
| 2,866            | 1,213,950          |
| 12,777           | 50,771             |
| 18               | 68                 |
| 291,556          | 948,797            |
| 75,099           | 272,984            |
| 2,689            | 66,495             |
|                  | 389,455            |
| <u>385,005</u>   | <u>2,942,520</u>   |
| <u>\$495,937</u> | <u>\$4,328,779</u> |



**Reconciliation of the Governmental Funds Balance Sheet****To the Statement of Net Position****June 30, 2013***(dollars in thousands)***Total Fund Balances - Governmental Funds**

\$2,942,520

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:

|                                   |             |           |
|-----------------------------------|-------------|-----------|
| Land and Land Use Rights          | \$1,057,069 |           |
| Capital Assets in Progress        | 943,109     |           |
| Infrastructure                    | 3,464,222   |           |
| Historical Art and Collections    | 72          |           |
| Buildings and Improvements        | 910,755     |           |
| Improvements Other Than Buildings | 103,750     |           |
| Machinery, Equipment, and Other   | 555,353     |           |
| Accumulated Depreciation          | (891,003)   |           |
| Total Capital Assets              |             | 6,143,327 |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

8,987

Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and, therefore, is deferred in the funds.

189,238

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

77,294

Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Position.

7,122

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:

|                                          |           |           |
|------------------------------------------|-----------|-----------|
| Compensated Absences Payable             | (55,671)  |           |
| Bonds, Notes, and Capital Leases Payable | (777,015) |           |
| Accrued Interest on Bonds                | (30,551)  |           |
| Claims and Judgments                     | (96,324)  |           |
| Other Long-Term Liabilities              | (38,326)  |           |
| Total Long-Term Liabilities              |           | (997,887) |

**Net Position - Governmental Activities**\$8,370,601

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                       | General          | Health and<br>Welfare | Transportation   | Land<br>Endowments |
|-------------------------------------------------------|------------------|-----------------------|------------------|--------------------|
| <b>REVENUES</b>                                       |                  |                       |                  |                    |
| Sales Tax                                             | \$1,313,583      |                       |                  |                    |
| Individual and Corporate Taxes                        | 1,531,975        |                       |                  |                    |
| Other Taxes                                           | 62,276           | \$39,546              | \$227,032        |                    |
| Licenses, Permits, and Fees                           | 19,448           | 22,549                | 130,212          |                    |
| Sale of Goods and Services                            | 28,056           | 68,562                | 6,995            | \$77,319           |
| Grants and Contributions                              | 23,872           | 1,855,072             | 312,325          |                    |
| Investment Income                                     | 34,358           | 785                   | (285)            | 182,554            |
| Tobacco Settlement                                    | 24,912           |                       |                  |                    |
| Other Income                                          | 50,293           | 50                    | 3,326            |                    |
| <b>Total Revenues</b>                                 | <b>3,088,773</b> | <b>1,986,564</b>      | <b>679,605</b>   | <b>259,873</b>     |
| <b>EXPENDITURES</b>                                   |                  |                       |                  |                    |
| Current:                                              |                  |                       |                  |                    |
| General Government                                    | 130,422          |                       |                  |                    |
| Public Safety and Correction                          | 258,387          | 3,711                 |                  |                    |
| Health and Human Services                             | 37,044           | 2,509,031             |                  |                    |
| Education                                             | 1,447,955        |                       |                  |                    |
| Economic Development                                  | 37,898           |                       | 189,933          |                    |
| Natural Resources                                     | 34,401           |                       |                  | 32,137             |
| Capital Outlay                                        | 38,098           | 44,166                | 326,049          | 205                |
| Intergovernmental Revenue Sharing                     | 221,142          | 42,277                | 134,395          |                    |
| Debt Service:                                         |                  |                       |                  |                    |
| Principal Retirement                                  | 1,029            |                       | 21,975           |                    |
| Interest and Other Charges                            | 11,844           | 6                     | 28,206           |                    |
| <b>Total Expenditures</b>                             | <b>2,218,220</b> | <b>2,599,191</b>      | <b>700,558</b>   | <b>32,342</b>      |
| <b>Revenues Over (Under) Expenditures</b>             | <b>870,553</b>   | <b>(612,627)</b>      | <b>(20,953)</b>  | <b>227,531</b>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                  |                       |                  |                    |
| Bonds and Notes Issued                                |                  |                       |                  |                    |
| Issuance of Refunding Bonds                           |                  |                       |                  |                    |
| Premium on Bonds Issued                               |                  |                       |                  |                    |
| Payment to Refunded Bond Escrow Agent                 |                  |                       |                  |                    |
| Capital Lease Acquisitions                            | 178              |                       |                  |                    |
| Sale of Capital Assets                                | 305              | 67                    | 13,876           | 117                |
| Transfers In                                          | 209,169          | 610,602               |                  |                    |
| Transfers Out                                         | (883,204)        | (39,582)              | (15,825)         | (47,509)           |
| <b>Total Other Financing Sources (Uses)</b>           | <b>(673,552)</b> | <b>571,087</b>        | <b>(1,949)</b>   | <b>(47,392)</b>    |
| <b>Net Changes in Fund Balances</b>                   | <b>197,001</b>   | <b>(41,540)</b>       | <b>(22,902)</b>  | <b>180,139</b>     |
| <b>Fund Balances - Beginning of Year, as Restated</b> | <b>686,663</b>   | <b>41,599</b>         | <b>235,423</b>   | <b>1,281,132</b>   |
| <b>Fund Balances - End of Year</b>                    | <b>\$883,664</b> | <b>\$59</b>           | <b>\$212,521</b> | <b>\$1,461,271</b> |

The accompanying notes are an integral part of the financial statements.

---

| <b>Nonmajor<br/>Governmental</b> | <b>Total</b> |
|----------------------------------|--------------|
| \$4,800                          | \$1,318,383  |
|                                  | 1,531,975    |
| 129,437                          | 458,291      |
| 145,645                          | 317,854      |
| 56,336                           | 237,268      |
| 504,102                          | 2,695,371    |
| (55)                             | 217,357      |
|                                  | 24,912       |
| 15,516                           | 69,185       |
| 855,781                          | 6,870,596    |

---

|          |           |
|----------|-----------|
| 51,916   | 182,338   |
| 62,619   | 324,717   |
|          | 2,546,075 |
| 237,297  | 1,685,252 |
| 204,703  | 432,534   |
| 148,582  | 215,120   |
| 88,569   | 497,087   |
| 73,455   | 471,269   |
| 26,675   | 49,679    |
| 9,044    | 49,100    |
| 902,860  | 6,453,171 |
| (47,079) | 417,425   |

---

|           |             |
|-----------|-------------|
| 61,347    | 61,347      |
| 10,945    | 10,945      |
| 1,304     | 1,304       |
| (11,441)  | (11,441)    |
|           | 178         |
| 1,049     | 15,414      |
| 38,814    | 858,585     |
| (70,307)  | (1,056,427) |
| 31,711    | (120,095)   |
| (15,368)  | 297,330     |
| 400,373   | 2,645,190   |
| \$385,005 | \$2,942,520 |

---



# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                                                                                                                                                                                                                                                                                                                                                           |           |                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------------|
| <b>Net Change in Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                   |           | \$297,330        |
| Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:                                                                                                                                |           |                  |
| Capital Outlay                                                                                                                                                                                                                                                                                                                                                                            | \$282,282 |                  |
| Depreciation Expense                                                                                                                                                                                                                                                                                                                                                                      | (87,861)  |                  |
|                                                                                                                                                                                                                                                                                                                                                                                           |           | 194,421          |
| Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.                                                                                                                                                                              |           | (32,600)         |
| Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.                                                                                                                                                                                                                                  |           | (73,489)         |
| The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current year the following debt was incurred:                                                                                                                                                   |           |                  |
| Bonds and Notes                                                                                                                                                                                                                                                                                                                                                                           | (72,292)  |                  |
| Premium on Bonds Issued                                                                                                                                                                                                                                                                                                                                                                   | (1,304)   |                  |
| Capital Leases                                                                                                                                                                                                                                                                                                                                                                            | (178)     |                  |
|                                                                                                                                                                                                                                                                                                                                                                                           |           | (73,774)         |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year these amounts consisted of:                                                                                                                                                                        |           |                  |
| Bond and Note Principal                                                                                                                                                                                                                                                                                                                                                                   | 48,222    |                  |
| Refunding Bond Payment                                                                                                                                                                                                                                                                                                                                                                    | 11,441    |                  |
| Capital Leases                                                                                                                                                                                                                                                                                                                                                                            | 1,457     |                  |
|                                                                                                                                                                                                                                                                                                                                                                                           |           | 61,120           |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Position. In the current year these amounts consisted of: |           |                  |
| Accrued Interest and Amortization                                                                                                                                                                                                                                                                                                                                                         | (1,101)   |                  |
| Compensated Absences                                                                                                                                                                                                                                                                                                                                                                      | 6,267     |                  |
| Claims and Judgments                                                                                                                                                                                                                                                                                                                                                                      | 81,849    |                  |
| Other Long-Term Liabilities                                                                                                                                                                                                                                                                                                                                                               | (379)     |                  |
|                                                                                                                                                                                                                                                                                                                                                                                           |           | 86,636           |
| Internal service funds are reported separately from governmental funds in the funds statements. In the government-wide statements, internal service funds are included with governmental activities.                                                                                                                                                                                      |           | (275)            |
| <b>Change in Net Position - Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                   |           | <b>\$459,369</b> |

## Statement of Net Position

## Proprietary Funds

June 30, 2013

(dollars in thousands)

|                                           | Business-Type Activities--Enterprise Funds |                           |                  |                           |
|-------------------------------------------|--------------------------------------------|---------------------------|------------------|---------------------------|
|                                           | College and University                     | Unemployment Compensation | Loan             | Nonmajor Enterprise Funds |
| <b>ASSETS</b>                             |                                            |                           |                  |                           |
| <b>Current Assets</b>                     |                                            |                           |                  |                           |
| Cash and Cash Equivalents                 | \$96,260                                   | \$349,666                 | \$773            | \$2,731                   |
| Pooled Cash and Investments               | 95,177                                     | 6,469                     | 19,539           | 18,904                    |
| Investments                               | 74,481                                     |                           |                  |                           |
| Accounts Receivable, Net                  | 70,332                                     | 103,411                   | 801              | 2,046                     |
| Interfund Receivables                     | 3,844                                      |                           |                  | 61                        |
| Due from Other Entities                   |                                            |                           | 445              |                           |
| Inventories and Prepaid Items             | 12,839                                     |                           |                  | 13,679                    |
| Due from Component Unit                   | 2,291                                      |                           |                  |                           |
| Loans, Notes, and Pledges Receivable, Net | 3,996                                      |                           | 9,825            |                           |
| Other Current Assets                      | 1,545                                      |                           | 4,348            | 143                       |
| <b>Total Current Assets</b>               | <b>360,765</b>                             | <b>459,546</b>            | <b>35,731</b>    | <b>37,564</b>             |
| <b>Noncurrent Assets</b>                  |                                            |                           |                  |                           |
| Restricted Cash and Cash Equivalents      | 4,864                                      |                           | 58,383           | 48,416                    |
| Investments                               | 88,351                                     | 107,146                   |                  |                           |
| Restricted Investments                    | 602                                        |                           | 118,191          |                           |
| Loans, Notes, and Pledges Receivable, Net | 20,295                                     |                           | 264,438          |                           |
| Other Noncurrent Assets                   | 6,512                                      |                           |                  | 10                        |
| Capital Assets, Net                       | 1,154,229                                  |                           | 32,737           | 13,840                    |
| <b>Total Noncurrent Assets</b>            | <b>1,274,853</b>                           | <b>107,146</b>            | <b>473,749</b>   | <b>62,266</b>             |
| <b>Total Assets</b>                       | <b>\$1,635,618</b>                         | <b>\$566,692</b>          | <b>\$509,480</b> | <b>\$99,830</b>           |
| <b>LIABILITIES</b>                        |                                            |                           |                  |                           |
| <b>Current Liabilities</b>                |                                            |                           |                  |                           |
| Accounts Payable                          | \$16,108                                   |                           |                  | \$10,907                  |
| Payroll and Related Liabilities           | 52,933                                     |                           |                  | 769                       |
| Interfund Payables                        | 4,892                                      |                           |                  | 5,869                     |
| Due to Other Entities                     |                                            |                           |                  | 7,340                     |
| Unearned Revenue                          | 31,538                                     | \$1,118                   | \$15,673         |                           |
| Amounts Held in Trust for Others          | 3,182                                      |                           |                  |                           |
| Due to Component Unit                     | 568                                        |                           |                  |                           |
| Other Accrued Liabilities                 | 7,017                                      | 6,104                     | 179              | 2,518                     |
| Compensated Absences Payable              | 21,539                                     |                           |                  | 700                       |
| Bonds, Notes, and Capital Leases Payable  | 19,985                                     | 46,130                    | 425              | 40                        |
| Policy Claim Liabilities                  |                                            |                           |                  |                           |
| <b>Total Current Liabilities</b>          | <b>157,762</b>                             | <b>53,352</b>             | <b>16,277</b>    | <b>28,143</b>             |
| <b>Noncurrent Liabilities</b>             |                                            |                           |                  |                           |
| Bonds, Notes, and Capital Leases Payable  | 446,032                                    | 98,015                    | 2,515            | 67                        |
| Policy Claim Liabilities                  |                                            |                           |                  |                           |
| Other Long-Term Obligations               | 17,793                                     |                           |                  | 354                       |
| <b>Total Noncurrent Liabilities</b>       | <b>463,825</b>                             | <b>98,015</b>             | <b>2,515</b>     | <b>421</b>                |
| <b>Total Liabilities</b>                  | <b>621,587</b>                             | <b>151,367</b>            | <b>18,792</b>    | <b>28,564</b>             |
| <b>NET POSITION</b>                       |                                            |                           |                  |                           |
| Net Investment in Capital Assets          | 693,679                                    |                           | 29,796           | 13,733                    |
| Restricted for:                           |                                            |                           |                  |                           |
| Claims and Judgments                      |                                            |                           |                  |                           |
| Debt Service                              |                                            |                           | 553              |                           |
| Unemployment Compensation                 |                                            | 415,325                   |                  |                           |
| Permanent Trust - Expendable              | 48,989                                     |                           |                  |                           |
| Other Purposes                            |                                            |                           | 460,339          | 57,533                    |
| Unrestricted                              | 271,363                                    |                           |                  |                           |
| <b>Total Net Position</b>                 | <b>1,014,031</b>                           | <b>415,325</b>            | <b>490,688</b>   | <b>71,266</b>             |
| <b>Total Liabilities and Net Position</b> | <b>\$1,635,618</b>                         | <b>\$566,692</b>          | <b>\$509,480</b> | <b>\$99,830</b>           |

The amount reported for total net position on this statement differs from the amount reported for Business-Type Activities on the government-wide Statement of Net Position because of a \$8,495 consolidation adjustment for internal service fund activities on the government-wide statement.

| <b>Governmental<br/>Activities</b> |                                   |
|------------------------------------|-----------------------------------|
| <b>Total</b>                       | <b>Internal<br/>Service Funds</b> |
| \$449,430                          |                                   |
| 140,089                            | \$37,807                          |
| 74,481                             |                                   |
| 176,590                            | 55                                |
| 3,905                              | 711                               |
| 445                                |                                   |
| 26,518                             | 2,117                             |
| 2,291                              |                                   |
| 13,821                             |                                   |
| 6,036                              | 127                               |
| 893,606                            | 40,817                            |
| 111,663                            | 25,677                            |
| 195,497                            | 30,523                            |
| 118,793                            |                                   |
| 284,733                            | 95                                |
| 6,522                              | 6                                 |
| 1,200,806                          | 16,056                            |
| 1,918,014                          | 72,357                            |
| \$2,811,620                        | \$113,174                         |
| \$27,015                           | \$471                             |
| 53,702                             | 669                               |
| 10,761                             | 5                                 |
| 7,340                              |                                   |
| 48,329                             | 12,648                            |
| 3,182                              |                                   |
| 568                                |                                   |
| 15,818                             | 160                               |
| 22,239                             | 799                               |
| 66,580                             | 187                               |
|                                    | 9,406                             |
| 255,534                            | 24,345                            |
| 546,629                            | 2,708                             |
|                                    | 8,557                             |
| 18,147                             | 270                               |
| 564,776                            | 11,535                            |
| 820,310                            | 35,880                            |
| 737,208                            | 13,160                            |
|                                    | 25,677                            |
| 553                                |                                   |
| 415,325                            |                                   |
| 48,989                             |                                   |
| 517,872                            | 35,444                            |
| 271,363                            | 3,013                             |
| 1,991,310                          | 77,294                            |
| \$2,811,620                        | \$113,174                         |

## Statement of Revenues, Expenses, and Changes in Fund Net Position

## Proprietary Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                                        | Business-Type Activities--Enterprise Funds |                           |                  |                           |
|------------------------------------------------------------------------|--------------------------------------------|---------------------------|------------------|---------------------------|
|                                                                        | College and University                     | Unemployment Compensation | Loan             | Nonmajor Enterprise Funds |
| <b>OPERATING REVENUES</b>                                              |                                            |                           |                  |                           |
| Assessments                                                            |                                            | \$310,232                 |                  |                           |
| Licenses, Permits, and Fees                                            | \$374,542                                  |                           | \$2,724          |                           |
| Scholarship Allowances                                                 | (75,522)                                   |                           |                  |                           |
| Sale of Goods and Services                                             | 132,458                                    |                           | 1,937            | \$367,256                 |
| Grants and Contributions                                               | 154,356                                    | 73,921                    | 15,360           |                           |
| Other Income                                                           | 9,267                                      |                           |                  | 410                       |
| <b>Total Operating Revenues</b>                                        | <b>595,101</b>                             | <b>384,153</b>            | <b>20,021</b>    | <b>367,666</b>            |
| <b>OPERATING EXPENSES</b>                                              |                                            |                           |                  |                           |
| Personnel Costs                                                        | 585,329                                    |                           |                  | 15,186                    |
| Services and Supplies                                                  | 232,884                                    | 26                        | 1,375            | 118,044                   |
| Benefits, Awards, and Premiums                                         | 67,509                                     | 247,268                   |                  | 122,888                   |
| Depreciation                                                           | 62,842                                     |                           | 207              | 1,632                     |
| Other Expenses                                                         | 15,851                                     |                           | 1                | 5,826                     |
| <b>Total Operating Expenses</b>                                        | <b>964,415</b>                             | <b>247,294</b>            | <b>1,583</b>     | <b>263,576</b>            |
| <b>Operating Income (Loss)</b>                                         | <b>(369,314)</b>                           | <b>136,859</b>            | <b>18,438</b>    | <b>104,090</b>            |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                |                                            |                           |                  |                           |
| Gifts and Grants                                                       | 139,938                                    |                           |                  |                           |
| Investment Income                                                      | 5,664                                      | 4,398                     | 6,411            | 76                        |
| Interest Expense                                                       | (18,785)                                   | (5,372)                   | (193)            | (7)                       |
| Intergovernmental Distributions                                        |                                            |                           | (6,711)          | (30,240)                  |
| Gain (Loss) on Sale of Capital Assets                                  | (821)                                      |                           |                  | (11)                      |
| Other Nonoperating Revenues (Expenses)                                 | (760)                                      |                           |                  | (7)                       |
| <b>Total Nonoperating Revenues (Expenses)</b>                          | <b>125,236</b>                             | <b>(974)</b>              | <b>(493)</b>     | <b>(30,189)</b>           |
| <b>Income (Loss) Before Contributions, Transfers, and Special Item</b> | <b>(244,078)</b>                           | <b>135,885</b>            | <b>17,945</b>    | <b>73,901</b>             |
| Capital Contributions                                                  | 38,364                                     |                           |                  |                           |
| Transfers In                                                           | 270,116                                    |                           | 3,198            |                           |
| Transfers Out                                                          | (572)                                      | (7,262)                   | (1,454)          | (68,519)                  |
| Special Item - See Note 4                                              | (80,990)                                   |                           |                  |                           |
| <b>Change in Net Position</b>                                          | <b>(17,160)</b>                            | <b>128,623</b>            | <b>19,689</b>    | <b>5,382</b>              |
| <b>Total Net Position - Beginning of Year, as Restated</b>             | <b>1,031,191</b>                           | <b>286,702</b>            | <b>470,999</b>   | <b>65,884</b>             |
| <b>Total Net Position - End of Year</b>                                | <b>\$1,014,031</b>                         | <b>\$415,325</b>          | <b>\$490,688</b> | <b>\$71,266</b>           |

The \$2,248 difference between the \$136,534 reported as Change in Net Position on this statement and the \$134,286 Change in Net Position reported as Business-Type Activity on the government-wide Statement of Activities is due to a consolidation adjustment for internal service fund activities on the government-wide statement.

| <b>Governmental<br/>Activities</b> |                                   |
|------------------------------------|-----------------------------------|
| <b>Total</b>                       | <b>Internal<br/>Service Funds</b> |
| \$310,232                          |                                   |
| 377,266                            | \$4                               |
| (75,522)                           |                                   |
| 501,651                            | 245,381                           |
| 243,637                            | 58                                |
| 9,677                              | 221                               |
| <b>1,366,941</b>                   | <b>245,664</b>                    |
| 600,515                            | 13,036                            |
| 352,329                            | 20,702                            |
| 437,665                            | 220,909                           |
| 64,681                             | 1,964                             |
| 21,678                             | 1,424                             |
| <b>1,476,868</b>                   | <b>258,035</b>                    |
| (109,927)                          | (12,371)                          |
| 139,938                            |                                   |
| 16,549                             | 263                               |
| (24,357)                           | (171)                             |
| (36,951)                           |                                   |
| (832)                              | 1                                 |
| (767)                              | (27)                              |
| <b>93,580</b>                      | <b>66</b>                         |
| (16,347)                           | (12,305)                          |
| 38,364                             | 5                                 |
| 273,314                            | 2,760                             |
| (77,807)                           | (425)                             |
| (80,990)                           |                                   |
| 136,534                            | (9,965)                           |
| <b>1,854,776</b>                   | <b>87,259</b>                     |
| <b>\$1,991,310</b>                 | <b>\$77,294</b>                   |

## Statement of Cash Flows

## Proprietary Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                                                                      | Business-Type          |                           |
|------------------------------------------------------------------------------------------------------|------------------------|---------------------------|
|                                                                                                      | College and University | Unemployment Compensation |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                          |                        |                           |
| Receipts from Assessments                                                                            |                        | \$325,747                 |
| Receipts from Customers                                                                              | \$421,597              |                           |
| Receipts for Interfund Services                                                                      |                        |                           |
| Receipts from Grants and Contributions                                                               | 156,214                | 75,039                    |
| Payments to Suppliers                                                                                | (241,258)              | (26)                      |
| Payments to Employees                                                                                | (571,756)              |                           |
| Payments for Interfund Services                                                                      |                        |                           |
| Payments for Benefits, Awards, and Claims                                                            | (63,920)               | (230,365)                 |
| Other Receipts (Payments)                                                                            | (1,708)                |                           |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                              | <b>(300,831)</b>       | <b>170,395</b>            |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                               |                        |                           |
| Gifts, Grants, and Endowments Received                                                               | 141,051                |                           |
| Intergovernmental Distributions                                                                      |                        |                           |
| Transfers In                                                                                         | 269,544                |                           |
| Transfers Out                                                                                        |                        | (7,262)                   |
| Proceeds from Bonds, Notes, and Loans                                                                | 211,430                |                           |
| Repayment of Bonds, Notes, and Loans                                                                 | (210,157)              | (43,425)                  |
| Interest Payments                                                                                    |                        | (6,709)                   |
| <b>Net Cash Provided (Used) by Noncapital Financing Activities</b>                                   | <b>411,868</b>         | <b>(57,396)</b>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                      |                        |                           |
| Capital Grants and Contributions                                                                     | 10,040                 |                           |
| Proceeds from Bonds and Notes                                                                        | 41,371                 |                           |
| Principal Payments                                                                                   | (46,984)               |                           |
| Interest Payments                                                                                    | (20,568)               |                           |
| Proceeds from Disposition of Capital Assets                                                          | 2                      |                           |
| Acquisition and Construction of Capital Assets                                                       | (84,607)               |                           |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                          | <b>(100,746)</b>       |                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                          |                        |                           |
| Receipt of Interest and Dividends                                                                    | 2,259                  | 7,764                     |
| Purchase of Investments                                                                              | (381,808)              |                           |
| Redemption of Investments                                                                            | 389,897                | 6,375                     |
| Other Investing Activities                                                                           |                        |                           |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                              | <b>10,348</b>          | <b>14,139</b>             |
| <b>Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash</b>                            | <b>20,639</b>          | <b>127,138</b>            |
| <b>Beginning Cash, Cash Equivalents, and Pooled Cash</b>                                             | <b>175,662</b>         | <b>228,997</b>            |
| <b>Ending Cash, Cash Equivalents, and Pooled Cash</b>                                                | <b>\$196,301</b>       | <b>\$356,135</b>          |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b> |                        |                           |
| Operating Income (Loss)                                                                              | (\$369,314)            | \$136,859                 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:       |                        |                           |
| Depreciation and Amortization                                                                        | 62,842                 |                           |
| Maintenance Costs Paid by Department of Public Works                                                 | 3,113                  |                           |
| Net Changes in Assets and Liabilities:                                                               |                        |                           |
| Accounts Receivable/Interfund Receivables                                                            | (7,660)                | 33,494                    |
| Inventories and Prepaid Items                                                                        | (2,262)                |                           |
| Notes Receivable                                                                                     | 498                    |                           |
| Other Assets                                                                                         | 359                    |                           |
| Accounts Payable/Interfund Payables                                                                  | (1,234)                |                           |
| Unearned Revenue                                                                                     |                        | 1,118                     |
| Compensated Absences                                                                                 | 328                    |                           |
| Policy Claim Liabilities                                                                             |                        |                           |
| Other Accrued Liabilities                                                                            | 12,499                 | (1,076)                   |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                              | <b>(300,831)</b>       | <b>\$170,395</b>          |

**Noncash Transactions (dollars in thousands):**

Investments increased in fair value by \$3,218 for colleges and universities and decreased by \$3,366 for Unemployment Compensation, \$942 for the Loan Fund, and \$1,063 for internal service funds. Colleges and universities transferred \$80,990 of assets to the colleges' and universities' foundations. Colleges and universities acquired assets of \$25,221 through donations, \$1,993 through state transfers, and disposed of capital assets at a gain of \$2,741. The Loan Fund had loan forgiveness in the amount of \$6,712. Nonmajor enterprise funds recorded an interfund payable of \$1,044 due on July 1, 2013, disposed of capital assets at a loss of \$18, eliminated capital assets of \$3,196 in prior periods, and beginning cash decreased by \$138 due to a prior period adjustment. Internal service funds removed capital leases of \$174 and disposed of capital assets of \$145 in prior periods.

The accompanying notes are an integral part of the financial statements.

| Activities--Enterprise Funds |                              |             | Governmental Activities   |
|------------------------------|------------------------------|-------------|---------------------------|
| Loan                         | Nonmajor<br>Enterprise Funds | Total       | Internal<br>Service Funds |
|                              |                              | \$325,747   |                           |
| \$3,303                      | \$364,119                    | 789,019     | \$14,371                  |
|                              | 3,771                        | 3,771       | 230,333                   |
| 15,055                       |                              | 246,308     | 58                        |
| (1,357)                      | (120,926)                    | (363,567)   | (19,117)                  |
|                              | (15,233)                     | (586,989)   | (13,059)                  |
| (18)                         | (656)                        | (674)       | (2,664)                   |
|                              | (120,843)                    | (415,128)   | (218,384)                 |
|                              |                              | (1,708)     |                           |
| 16,983                       | 110,232                      | (3,221)     | (8,462)                   |
|                              |                              | 141,051     |                           |
| (6,711)                      | (29,945)                     | (36,656)    |                           |
| 3,198                        |                              | 272,742     | 2,760                     |
| (1,454)                      | (67,475)                     | (76,191)    | (425)                     |
|                              |                              | 211,430     |                           |
|                              |                              | (253,582)   |                           |
|                              |                              | (6,709)     | 2                         |
| (4,967)                      | (97,420)                     | 252,085     | 2,337                     |
|                              |                              | 10,040      | 5                         |
|                              |                              | 41,371      |                           |
| (400)                        | (38)                         | (47,422)    | (284)                     |
| (198)                        | (7)                          | (20,773)    | (168)                     |
|                              | 7                            | 9           | 1                         |
| (1)                          | (2,406)                      | (87,014)    | (1,343)                   |
| (599)                        | (2,444)                      | (103,789)   | (1,789)                   |
| 5,488                        | 77                           | 15,588      | 1,362                     |
| (81,458)                     |                              | (463,266)   | (618)                     |
| 91,171                       |                              | 487,443     | 4,644                     |
| 2,546                        |                              | 2,546       | (9)                       |
| 17,747                       | 77                           | 42,311      | 5,379                     |
| 29,164                       | 10,445                       | 187,386     | (2,535)                   |
| 49,531                       | 59,606                       | 513,796     | 66,019                    |
| \$78,695                     | \$70,051                     | \$701,182   | \$63,484                  |
| \$18,438                     | \$104,090                    | (\$109,927) | (\$12,371)                |
| 207                          | 1,632                        | 64,681      | 1,964                     |
|                              |                              | 3,113       |                           |
| (636)                        | 3,529                        | 28,727      | (116)                     |
|                              | 728                          | (1,534)     | 329                       |
|                              |                              | 498         |                           |
| (324)                        | (13)                         | 22          | 2                         |
|                              | 464                          | (770)       | 17                        |
| (703)                        |                              | 415         | (788)                     |
|                              | (46)                         | 282         | (38)                      |
|                              |                              |             | 2,513                     |
| 1                            | (152)                        | 11,272      | 26                        |
| \$16,983                     | \$110,232                    | (\$3,221)   | (\$8,462)                 |

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**June 30, 2013**

*(dollars in thousands)*

|                                       | <b>Pension<br/>Trust</b> | <b>Investment<br/>Trust</b> | <b>College Savings<br/>Private-Purpose<br/>Trust</b> | <b>Agency</b>    |
|---------------------------------------|--------------------------|-----------------------------|------------------------------------------------------|------------------|
| <b>ASSETS</b>                         |                          |                             |                                                      |                  |
| Cash and Cash Equivalents             | \$1,588                  |                             | \$335                                                | \$21,252         |
| Pooled Cash and Investments           | 2,680                    |                             |                                                      | 22,151           |
| Investments:                          |                          |                             |                                                      |                  |
| Pooled Short Term                     | 423,931                  | \$411,488                   | 10,689                                               |                  |
| Fixed Income Investments              | 2,901,888                | 1,062,606                   |                                                      | 279,390          |
| Marketable Securities                 | 7,769,941                |                             |                                                      |                  |
| Mutual Funds and Private Equities     | 1,660,830                |                             | 244,676                                              |                  |
| Mortgages and Real Estate             | 947,868                  | 77,557                      |                                                      |                  |
| Other Investments                     | 3,222                    |                             | 6,612                                                |                  |
| Receivables:                          |                          |                             |                                                      |                  |
| Investments Sold                      | 183,343                  |                             |                                                      |                  |
| Contributions                         | 5,105                    |                             |                                                      |                  |
| Interest and Dividends                | 37,373                   | 3,171                       | 19                                                   |                  |
| Interfund Receivables                 | 1,675                    |                             |                                                      |                  |
| Other Receivables                     | 171                      |                             |                                                      |                  |
| Other Assets                          | 54,226                   |                             |                                                      |                  |
| Capital Assets, Net                   | 4,748                    |                             |                                                      |                  |
| <b>Total Assets</b>                   | <b>13,998,589</b>        | <b>1,554,822</b>            | <b>262,331</b>                                       | <b>\$322,793</b> |
| <b>LIABILITIES</b>                    |                          |                             |                                                      |                  |
| Accounts Payable                      | 697                      | 38                          | 190                                                  |                  |
| Interfund Payables                    | 1,675                    |                             |                                                      |                  |
| Due to Other Entities                 |                          |                             |                                                      | \$662            |
| Amounts Held in Trust for Others      |                          |                             |                                                      | 322,131          |
| Investments Purchased                 | 380,950                  |                             | 56                                                   |                  |
| Other Accrued Liabilities             | 10,132                   | 438                         |                                                      |                  |
| <b>Total Liabilities</b>              | <b>393,454</b>           | <b>476</b>                  | <b>246</b>                                           | <b>\$322,793</b> |
| <b>NET POSITION</b>                   |                          |                             |                                                      |                  |
| Held in Trust for:                    |                          |                             |                                                      |                  |
| Employee Pension Benefits             | 13,279,355               |                             |                                                      |                  |
| Postemployment Healthcare Benefits    | 325,780                  |                             |                                                      |                  |
| External Investment Pool Participants |                          | 1,554,346                   |                                                      |                  |
| Trust Beneficiaries                   |                          |                             | 262,085                                              |                  |
| <b>Total Net Position</b>             | <b>\$13,605,135</b>      | <b>\$1,554,346</b>          | <b>\$262,085</b>                                     |                  |

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                      | Pension<br>Trust    | Investment<br>Trust | College Savings<br>Private-Purpose<br>Trust |
|------------------------------------------------------|---------------------|---------------------|---------------------------------------------|
| <b>ADDITIONS</b>                                     |                     |                     |                                             |
| <b>Contributions:</b>                                |                     |                     |                                             |
| Member                                               | \$232,453           |                     |                                             |
| Employer                                             | 328,745             |                     |                                             |
| Transfers In from Other Plans                        | 17,634              |                     |                                             |
| Participant Deposits                                 |                     | \$3,174,700         | \$37,979                                    |
| <b>Total Contributions</b>                           | <b>578,832</b>      | <b>3,174,700</b>    | <b>37,979</b>                               |
| <b>Investment Income:</b>                            |                     |                     |                                             |
| Net Increase (Decrease) in Fair Value of Investments | 845,541             | (19,218)            | 11,243                                      |
| Interest, Dividends, and Other                       | 315,041             | 22,308              | 6,286                                       |
| Securities Lending Income                            |                     | 629                 |                                             |
| Less Investment Expense:                             |                     |                     |                                             |
| Investment Activity Expense                          | (43,772)            | (715)               |                                             |
| Securities Lending Interest Expense                  |                     | (502)               |                                             |
| <b>Net Investment Income</b>                         | <b>1,116,810</b>    | <b>2,502</b>        | <b>17,529</b>                               |
| Miscellaneous Income                                 | 2,153               |                     |                                             |
| <b>Total Additions</b>                               | <b>1,697,795</b>    | <b>3,177,202</b>    | <b>55,508</b>                               |
| <b>DEDUCTIONS</b>                                    |                     |                     |                                             |
| Benefits and Refunds Paid to Plan Members            | 739,730             |                     |                                             |
| Transfers Out to Other Plans                         | 17,001              |                     |                                             |
| Administrative Expense                               | 6,501               |                     | 1,615                                       |
| Earnings Distribution                                |                     | 5,744               |                                             |
| Participant Withdrawals                              | 13,031              | 3,095,258           | 22,716                                      |
| <b>Total Deductions</b>                              | <b>776,263</b>      | <b>3,101,002</b>    | <b>24,331</b>                               |
| <b>Change in Net Position Held in Trust for:</b>     |                     |                     |                                             |
| Employee Pension Benefits                            | 879,270             |                     |                                             |
| Employee Postemployment Healthcare Benefits          | 42,262              |                     |                                             |
| External Investment Pool Participants                |                     | 76,200              |                                             |
| Trust Beneficiaries                                  |                     |                     | 31,177                                      |
| <b>Net Position - Beginning of Year</b>              | <b>12,683,603</b>   | <b>1,478,146</b>    | <b>230,908</b>                              |
| <b>Net Position - End of Year</b>                    | <b>\$13,605,135</b> | <b>\$1,554,346</b>  | <b>\$262,085</b>                            |

The accompanying notes are an integral part of the financial statements.

## Statement of Net Position

## Component Units

June 30, 2013

(dollars in thousands)

|                                                                           | Component Units                             |                                         |                                   |                       |
|---------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------|-----------------------------------|-----------------------|
|                                                                           | Idaho Housing<br>and Finance<br>Association | College and<br>University<br>Foundation | Petroleum<br>Clean Water<br>Trust | Health<br>Reinsurance |
| <b>ASSETS</b>                                                             |                                             |                                         |                                   |                       |
| Cash and Cash Equivalents                                                 | \$59,995                                    | \$17,788                                | \$857                             | \$3,277               |
| Pooled Cash and Investments                                               |                                             |                                         | 807                               |                       |
| Investments                                                               | 322,110                                     | 180,221                                 | 32,704                            | 13,029                |
| Accounts Receivable, Net                                                  | 18,604                                      | 298                                     | 355                               | 200                   |
| Due from Other Entities                                                   |                                             |                                         |                                   | 839                   |
| Inventories and Prepaid Items                                             | 983                                         | 31                                      |                                   | 96                    |
| Due from Primary Government                                               | 729,082                                     | 2,020                                   |                                   |                       |
| Loans, Notes, and Pledges Receivable, Net                                 | 893,768                                     | 21,134                                  |                                   |                       |
| Other Assets                                                              | 2,513                                       | 3,617                                   | 182                               | 24                    |
| Restricted Assets:                                                        |                                             |                                         |                                   |                       |
| Cash and Cash Equivalents                                                 | 86,293                                      | 17,823                                  |                                   |                       |
| Investments                                                               |                                             | 224,057                                 |                                   |                       |
| Capital Assets:                                                           |                                             |                                         |                                   |                       |
| Nondepreciable                                                            | 6,369                                       |                                         |                                   |                       |
| Depreciable, Net                                                          | 35,573                                      |                                         |                                   |                       |
| <b>Total Assets</b>                                                       | <b>2,155,290</b>                            | <b>466,989</b>                          | <b>34,905</b>                     | <b>17,465</b>         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                                             |                                         |                                   |                       |
| Deferred Outflows                                                         | 87,705                                      |                                         |                                   |                       |
| <b>Total Assets and Deferred Outflows of Resources</b>                    | <b>\$2,242,995</b>                          | <b>\$466,989</b>                        | <b>\$34,905</b>                   | <b>\$17,465</b>       |
| <b>LIABILITIES</b>                                                        |                                             |                                         |                                   |                       |
| Accounts Payable                                                          | \$666                                       | \$1,980                                 |                                   | \$16                  |
| Payroll and Related Liabilities                                           | 554                                         |                                         |                                   |                       |
| Unearned Revenue                                                          |                                             | 1,705                                   |                                   | 13,965                |
| Amounts Held in Trust for Others                                          | 17,993                                      | 17,230                                  |                                   |                       |
| Due to Primary Government                                                 |                                             | 2,291                                   |                                   |                       |
| Other Accrued Liabilities                                                 | 202,507                                     | 24                                      | \$117                             |                       |
| Long-Term Liabilities:                                                    |                                             |                                         |                                   |                       |
| Due Within One Year                                                       | 160,453                                     | 440                                     | 4,915                             | 3,484                 |
| Due in More Than One Year                                                 | 1,639,246                                   | 9,255                                   |                                   |                       |
| <b>Total Liabilities</b>                                                  | <b>2,021,419</b>                            | <b>32,925</b>                           | <b>5,032</b>                      | <b>17,465</b>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                                             |                                         |                                   |                       |
| Deferred Inflows                                                          | 4,987                                       |                                         |                                   |                       |
| <b>NET POSITION</b>                                                       |                                             |                                         |                                   |                       |
| Net Investment in Capital Assets                                          | 18,733                                      |                                         |                                   |                       |
| Restricted for:                                                           |                                             |                                         |                                   |                       |
| Debt Service                                                              | 135,879                                     |                                         |                                   |                       |
| Permanent Trust - Expendable                                              |                                             | 114,352                                 |                                   |                       |
| Permanent Trust - Nonexpendable                                           |                                             | 307,387                                 |                                   |                       |
| Other Purposes                                                            | 1,536                                       |                                         |                                   |                       |
| Unrestricted                                                              | 60,441                                      | 12,325                                  | 29,873                            |                       |
| <b>Total Net Position</b>                                                 | <b>216,589</b>                              | <b>434,064</b>                          | <b>29,873</b>                     |                       |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <b>\$2,242,995</b>                          | <b>\$466,989</b>                        | <b>\$34,905</b>                   | <b>\$17,465</b>       |

The accompanying notes are an integral part of the financial statements.

| <b>Bond Bank<br/>Authority</b> | <b>Total</b> |
|--------------------------------|--------------|
|                                | \$81,917     |
| \$227                          | 1,034        |
|                                | 548,064      |
| 15                             | 19,472       |
|                                | 839          |
|                                | 1,110        |
|                                | 731,102      |
| 365,826                        | 1,280,728    |
| 4,395                          | 10,731       |
|                                | 104,116      |
|                                | 224,057      |
|                                | 6,369        |
|                                | 35,573       |
| 370,463                        | 3,045,112    |
|                                | 87,705       |
| \$370,463                      | \$3,132,817  |
|                                | \$2,662      |
|                                | 554          |
|                                | 15,670       |
|                                | 35,223       |
|                                | 2,291        |
| \$4,395                        | 207,043      |
| 14,725                         | 184,017      |
| 355,927                        | 2,004,428    |
| 375,047                        | 2,451,888    |
|                                | 4,987        |
|                                | 18,733       |
|                                | 135,879      |
|                                | 114,352      |
|                                | 307,387      |
|                                | 1,536        |
| (4,584)                        | 98,055       |
| (4,584)                        | 675,942      |
| \$370,463                      | \$3,132,817  |

**Statement of Revenues, Expenses, and Changes in Fund Net Position**

**Component Units**

**For the Fiscal Year Ended June 30, 2013**

*(dollars in thousands)*

|                                                      | <b>Idaho Housing<br/>and Finance<br/>Association</b> | <b>College and<br/>University<br/>Foundation</b> | <b>Petroleum<br/>Clean Water<br/>Trust</b> | <b>Health<br/>Reinsurance</b> |
|------------------------------------------------------|------------------------------------------------------|--------------------------------------------------|--------------------------------------------|-------------------------------|
| <b>EXPENSES</b>                                      |                                                      |                                                  |                                            |                               |
| Personnel Costs                                      | \$10,286                                             | \$2,630                                          |                                            |                               |
| Services and Supplies                                | 10,597                                               | 6,648                                            | \$1,066                                    | \$381                         |
| Benefits, Awards, and Premiums                       | 47,486                                               | 59,136                                           | 830                                        | 13,288                        |
| Interest Expense                                     | 115,824                                              | 254                                              |                                            |                               |
| Depreciation                                         | 3,079                                                |                                                  |                                            |                               |
| Other Expenses                                       | 155                                                  | 293                                              |                                            |                               |
| <b>Total Expenses</b>                                | <b>187,427</b>                                       | <b>68,961</b>                                    | <b>1,896</b>                               | <b>13,669</b>                 |
| <b>PROGRAM REVENUES</b>                              |                                                      |                                                  |                                            |                               |
| Charges for Services:                                |                                                      |                                                  |                                            |                               |
| Licenses, Permits, and Fees                          | 16,766                                               |                                                  | 2,219                                      |                               |
| Sale of Goods and Services                           | 4,574                                                | 110                                              |                                            | 8,191                         |
| Investment Income                                    | 108,928                                              |                                                  | 566                                        | 135                           |
| Other Income                                         | 18,395                                               | 1,077                                            |                                            |                               |
| Operating Grants and Contributions                   | 49,115                                               | 75,462                                           |                                            | 839                           |
| <b>Total Program Revenues</b>                        | <b>197,778</b>                                       | <b>76,649</b>                                    | <b>2,785</b>                               | <b>9,165</b>                  |
| <b>Net Revenues (Expenses)</b>                       | <b>10,351</b>                                        | <b>7,688</b>                                     | <b>889</b>                                 | <b>(4,504)</b>                |
| <b>GENERAL REVENUES</b>                              |                                                      |                                                  |                                            |                               |
| Payments from State of Idaho                         |                                                      |                                                  |                                            | 4,504                         |
| <b>Total General Revenues</b>                        |                                                      |                                                  |                                            | <b>4,504</b>                  |
| Capital Contributions                                | 435                                                  |                                                  |                                            |                               |
| Permanent Endowment Contributions                    |                                                      | 862                                              |                                            |                               |
| Special Item                                         |                                                      | 80,990                                           |                                            |                               |
| <b>Change in Net Position</b>                        | <b>10,786</b>                                        | <b>89,540</b>                                    | <b>889</b>                                 |                               |
| <b>Net Position - Beginning of Year, as Restated</b> | <b>205,803</b>                                       | <b>344,524</b>                                   | <b>28,984</b>                              |                               |
| <b>Net Position - End of Year</b>                    | <b>\$216,589</b>                                     | <b>\$434,064</b>                                 | <b>\$29,873</b>                            |                               |

The accompanying notes are an integral part of the financial statements.

---

| <b>Bond Bank<br/>Authority</b> | <b>Total</b> |
|--------------------------------|--------------|
|                                | \$12,916     |
| \$1,371                        | 20,063       |
|                                | 120,740      |
| 12,656                         | 128,734      |
|                                | 3,079        |
| 25                             | 473          |
| 14,052                         | 286,005      |
|                                |              |
| 126                            | 19,111       |
|                                | 12,875       |
| 13,045                         | 122,674      |
| 22                             | 19,494       |
|                                | 125,416      |
| 13,193                         | 299,570      |
| (859)                          | 13,565       |
|                                |              |
|                                | 4,504        |
|                                | 4,504        |
|                                | 435          |
|                                | 862          |
|                                | 80,990       |
| (859)                          | 100,356      |
| (3,725)                        | 575,586      |
| (\$4,584)                      | \$675,942    |

---

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**


---

**INDEX FOR NOTES TO THE FINANCIAL STATEMENTS**

|          |                                                                                      |     |
|----------|--------------------------------------------------------------------------------------|-----|
| Note 1.  | Summary of Significant Accounting Policies                                           |     |
|          | A. Reporting Entity .....                                                            | 39  |
|          | B. Government-Wide and Fund Financial Statements.....                                | 40  |
|          | C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation..... | 42  |
|          | D. Financial Statement Elements.....                                                 | 43  |
|          | E. Net Position / Fund Balance.....                                                  | 45  |
| Note 2.  | Deposits, Investments, Derivative Instruments, and Restricted Assets                 |     |
|          | A. Deposits .....                                                                    | 46  |
|          | B. Investments .....                                                                 | 47  |
|          | C. Derivative Instruments.....                                                       | 60  |
|          | D. Restricted Assets.....                                                            | 65  |
| Note 3.  | External Investment Pools                                                            |     |
|          | A. Overview of the External Investment Pools.....                                    | 66  |
|          | B. Local Government Investment Pool.....                                             | 67  |
|          | C. Diversified Bond Fund.....                                                        | 70  |
| Note 4.  | Intraentity Transactions                                                             |     |
|          | A. Interfund Balances .....                                                          | 72  |
|          | B. Interfund Transfers.....                                                          | 72  |
|          | C. Significant Transactions with Related Parties.....                                | 73  |
| Note 5.  | Noncurrent Receivables .....                                                         | 73  |
| Note 6.  | Capital Assets.....                                                                  | 74  |
| Note 7.  | Retirement Plans                                                                     |     |
|          | A. Summary of Public Employee Retirement System of Idaho Plans .....                 | 76  |
|          | B. Other State-Sponsored Retirement Plans .....                                      | 78  |
| Note 8.  | Postemployment Benefits Other Than Pensions .....                                    | 81  |
| Note 9.  | Risk Management .....                                                                | 87  |
| Note 10. | Leases                                                                               |     |
|          | A. State as Lessee .....                                                             | 88  |
|          | B. State as Lessor .....                                                             | 89  |
| Note 11. | Short-Term Debt .....                                                                | 89  |
| Note 12. | Bonds, Notes, and Other Long-Term Liabilities                                        |     |
|          | A. Compensated Absences .....                                                        | 90  |
|          | B. Revenue Bonds .....                                                               | 90  |
|          | C. Advance and Current Refundings .....                                              | 92  |
|          | D. Notes Payable .....                                                               | 93  |
|          | E. Claims and Judgments .....                                                        | 95  |
|          | F. Changes in Long-Term Liabilities .....                                            | 96  |
|          | G. Conduit Debt.....                                                                 | 97  |
| Note 13. | Equity                                                                               |     |
|          | A. Restatement of Beginning Fund Balances and Net Position.....                      | 97  |
|          | B. Net Position Restricted by Enabling Legislation .....                             | 97  |
|          | C. Governmental Fund Balances – Restricted, Committed, and Assigned.....             | 97  |
|          | D. Budget Stabilization.....                                                         | 99  |
| Note 14. | Donor-Restricted Endowments .....                                                    | 99  |
| Note 15. | Litigation, Contingencies, Commitments, and Encumbrances                             |     |
|          | A. Litigation and Contingencies .....                                                | 100 |
|          | B. Commitments.....                                                                  | 101 |
|          | C. Encumbrances.....                                                                 | 102 |
| Note 16. | Subsequent Events .....                                                              | 102 |

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013**

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

During fiscal year 2013, the State implemented the following GASB Statements:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

During fiscal year 2013, the Idaho State Building Authority, Idaho State University, and the Idaho Bond Bank Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The financial statements are presented for the fiscal year ended June 30, 2013, except for the Idaho State Bar and the Idaho Dairy Products Commission (nonmajor special revenue funds); the Petroleum Clean Water Trust Fund, The Housing Company (THC), the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units); and the State of Idaho Public Employees' Deferred Compensation Plan (pension trust fund); whose statements are for the fiscal year ended December 31, 2012. The Idaho Potato Commission (nonmajor special revenue fund) has a fiscal year that ended August 31, 2012.

**A. Reporting Entity**

The State of Idaho is governed under the Idaho Constitution of 1890, as amended. Legislative power is vested in a 35-member Senate and a 70-member House of Representatives. Executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction. Judicial power is vested in the Idaho Supreme Court, Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities for which the State does not appoint a voting majority of the governing body, inclusion of the entity is required if the organization is fiscally dependent on the State. Component units also include legally separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

**Blended Component Unit**

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the primary government and blended into the appropriate funds.

The *Idaho State Building Authority* was created by Idaho Code Section 67-6403 to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship. The Authority provides services to the State of Idaho and some community colleges. The Idaho State Building Authority is blended as a nonmajor special revenue fund. The Authority's financial statements may be obtained from the following address: Idaho State Building Authority, 755 West Front Street, Suite 200, Boise, ID 83702.

**Discretely Presented Component Units**

Discretely presented component units are reported in a separate column on the government-wide statements to emphasize that they are legally separate from the primary government. Information regarding the State's discretely presented component units and links to their financial reports follow:

---

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013**

---

The *Idaho Housing and Finance Association* fund includes the Association and its component unit, THC, which was established to support the function and activities of the Association. The Association was created by Idaho Code Section 67-6202 for the purpose of building and rehabilitating residential housing for persons of low income. The Association is authorized to enter into agreements that include issuing bonds for the Idaho Transportation Department to facilitate transportation projects and for the Department of Labor to cover the shortfall in the Unemployment Compensation fund, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members. (<http://www.idahohousing.com/ihfa/bond-investor-information/publications.aspx>)

The *College and University Foundation* fund includes the foundations of Boise State University (BSU), Eastern Idaho Technical College (EITC), Idaho State University (ISU), Lewis-Clark State College (LCSC), and the University of Idaho (UI). The foundations were established for the purpose of soliciting donations in support of the growth and development of the colleges' and universities' programs and activities. Gifts and contributions are held, protected, managed, and invested for the exclusive benefit of the respective colleges and universities.

*Boise State University Foundation, Inc.*  
<http://boisestatefoundation.org/financial/audited-reports/>

*Eastern Idaho Technical College Foundation, Inc.*  
1600 South 2500 East  
Idaho Falls, ID 83404-5788

*Idaho State University Foundation, Inc.*  
<http://www.isu.edu/foundation/>

*Lewis-Clark State College Foundation, Inc.*  
<http://www.lcsc.edu/controllersoffice/afs>

*University of Idaho Foundation, Inc.*  
<http://uidahofoundation.org/uidahofoundation/financialhighlights>

The *Idaho Petroleum Clean Water Trust Fund* was created by Idaho Code Section 41-4905 to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Governor appoints the members of the board and the State approves, and may modify, the Fund's plan of operation. The Legislature sets the fees charged for enrollment in the Fund and imposes a transfer fee on petroleum products. Thus the State has the ability to impose its will on the Fund. Financial statements may be obtained from the following address: Idaho Petroleum Clean

Water Trust Fund, P.O. Box 83720, Boise, ID 83720-0044.

The *Health Reinsurance* fund includes the Idaho Individual High Risk Reinsurance Pool created by Idaho Code Section 41-5502 and the Idaho Small Employer Health Reinsurance Program created by Idaho Code Section 41-4711. The Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience. The Pool and Program provide a safety net to carriers in the form of a risk pool and reinsurance mechanism to facilitate the guaranteed issue of standardized state-approved health benefit plans. The Pool and the Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. The Pool is partially funded through state premium tax revenue creating a financial burden for the State. Financial statements may be obtained from the following address: Idaho Individual High Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, 3449 East Copper Point Drive, Meridian, ID 83642.

The *Idaho Bond Bank Authority* was created by Idaho Code Section 67-8703 authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, better interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five-member board, of which two members are appointed by the Governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State. (<http://www.sto.idaho.gov/Services/IBBA/>)

#### **Related Organizations**

The *State Insurance Fund*, created by Idaho Code Section 72-901, and the *Idaho Health Facilities Authority*, created by Idaho Code Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

### **B. Government-Wide and Fund Financial Statements**

#### **Government-Wide Statements**

The *Statement of Net Position* and *Statement of Activities* report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

---

generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Position* presents the State's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with assets plus deferred outflows of resources minus liabilities and deferred inflows of resources reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

**Fund Statements**

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those accounted for in another fund.

The *Health and Welfare* special revenue fund accounts for resources primarily from federal grants that are used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* special revenue fund accounts for resources primarily from federal grants, fuel taxes, and registration fees that are used for administration, construction, and maintenance of the state highway and aviation systems.

The *Land Endowments* permanent fund manages and invests the revenues generated from the sale or lease of lands granted from the federal government under the Idaho Admission Act.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to make improvements to irrigation, wastewater, and drinking water systems.

Additionally the State reports the following fund types:

**Governmental Fund Types**

*Special revenue funds* account for specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *capital projects fund* accounts for financial resources that are restricted, committed, or assigned to finance construction of transportation infrastructure.

*Permanent funds* account for resources that are restricted to the extent that only earnings, and not

---

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013**

---

principal, may be used for purposes that support certain state programs.

***Proprietary Fund Types***

*Enterprise funds* account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Internal service funds* account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include health, disability, property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

***Fiduciary Fund Types***

*Pension (and other employee benefits) trust funds* account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, deferred compensation plan, and other employee benefits. Complete financial statements of the State of Idaho Public Employees' Deferred Compensation Plan may be obtained by writing to the Idaho Secretary of State's Office, Attn: Chairman Ben Ysursa, P.O. Box 83720, Boise, ID 83720-0080.

*Investment trust funds* account for external participants' investments with the State's Local Government Investment Pool and Diversified Bond Fund.

The *private-purpose trust fund* accounts for resources held in trust by the Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to Idaho College Savings Program, Upromise Investments Service Center, P.O. Box 219944, Kansas City, MO 64121.

The *Agency fund* accounts for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies.

***Classification of Revenues and Expenses of Proprietary Funds***

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions generally occur if they directly result from the provision of goods or services to customers or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

***Reconciling Government-Wide Statements to the Fund Statements***

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

The proprietary fund statements include a reconciliation between the fund statements and the government-wide statements for internal service fund activity that is included in the enterprise fund statements but eliminated in the government-wide statements.

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The Agency fund reports only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Reimbursements are eliminated in the government-wide Statement of Activities to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include payments for maintenance and construction projects, federal grant pass-throughs from one state agency to another, insurance premiums,

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

---

technical services, and the allocation of central human resource costs to all agencies.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements.

THC and the foundations of BSU, EITC, and ISU issue financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. The Idaho Petroleum Clean Water Trust Fund issues statutory basis financial statements. The financial statements and note disclosures of THC, these foundations, and the Idaho Petroleum Clean Water Trust Fund have been reformatted to comply with GASB requirements.

**D. Financial Statement Elements****Assets***Cash and Cash Equivalents*

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money market accounts; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the date of acquisition.

*Pooled Cash and Investments*

Cash balances of most funds are deposited with the State Treasurer's Office (STO). Balances not required to meet immediate needs are pooled in an internal investment pool. Idaho Code Sections 67-2725 through 67-2749 and Sections 67-1210 and 67-1210A govern STO deposit and investment policies for the pooled balances. See Note 2

for more information.

*Investments*

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency fund. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost. See Note 2 for more information.

*Securities Lending Collateral*

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Note 2 for more information.

*Receivables, Net*

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of federal health and transportation grants, fuels taxes, and vendor receipts. Proprietary fund receivables consist mainly of loans, unemployment assessments, and student tuition and fees. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements. See Note 5 for more information on noncurrent receivables.

*Internal Balances*

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another and for certain statutorily required transfers due at year-end. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivable and payable balances and activity have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

*Inventories and Prepaid Items*

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market value, generally using the first-in, first-out method. Prepaid expenses represent amounts paid in the current period for

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

services that will benefit future periods. Inventory and prepaid expenses are accounted for using the consumption method.

#### *Other Assets*

Other assets include interest receivable and other miscellaneous items.

#### *Restricted Assets*

Assets are reported as restricted when constraints on asset use are imposed by constitutional provisions, enabling legislation, or external parties; and the constraints change the nature or normal understanding of the availability of the asset.

#### *Capital Assets, Net*

Capital assets include land, improvements to land, land use rights, buildings, improvements to buildings, machinery, equipment, software, historical art and collections, capital assets in progress, all infrastructure regardless of acquisition date, and other tangible or intangible assets used in operations. Tangible assets with a value of \$5,000 or more, and intangible assets with a value of \$200,000 or more, and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's functionality or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for enterprise funds.

Capital assets are reported at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparable assets indexed forward or backward with the Consumer Price Index. Donated capital assets are reported at their estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is reported at one dollar per acre.

Capital assets are depreciated or amortized with the exception of roads, rights-of-way, land, capital assets in progress, historical art and collections, and certain intangible assets with an indefinite useful life. Depreciation and amortization are recorded as depreciation expense. For all depreciable major asset classes, depreciation and amortization are calculated on a straight-line basis over their estimated useful lives, as follows:

| <u>Assets</u>                           | <u>Years</u> |
|-----------------------------------------|--------------|
| Buildings and Improvements to Buildings | 30 - 50      |
| Improvements Other Than Buildings       | 5 - 50       |
| Machinery, Equipment, and Other         | 3 - 40       |
| Infrastructure – Bridges                | 75           |
| Infrastructure – Other                  | 30 - 50      |

Roads are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The Idaho Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, state capitol-related artifacts, furnishings, films, statues, and monuments. Some of the State's historical art and collections have not been capitalized because they are preserved and protected for public display, education, or research. The proceeds from the sales of collection items are used to acquire other items for the collection. Historical art and collections already capitalized at June 30, 1999, have remained capitalized even if they meet the conditions for exemption from capitalization.

Intangible assets acquired in fiscal years ending after June 30, 1980, and not previously capitalized, are retroactively reported as of July 1, 2009. Some intangible assets with indefinite useful lives as of July 1, 2009, and some internally generated intangible assets created prior to or in progress as of July 1, 2009, were retroactively reported if appropriate historical costs were determinable.

See Note 6 for more information on capital assets.

#### *Deferred Outflows of Resources*

Deferred outflows of resources consist of decreases in the fair value of hedged derivative instruments to be recognized in a future period. At the time that the instrument is terminated, the amount will be reported as a decrease in investment income. See Note 2 for more information.

#### *Liabilities*

##### *Payables*

Payables in the General Fund consist primarily of sales taxes due to local governments, vendor obligations, and unsettled trades payable, which account for tax anticipation notes security proceeds which have a trade date prior to year-end and a settle date after year-end. Payables in the special revenue funds relate primarily to vendor obligations, fuel taxes to be distributed to local

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

---

governments, and Medicaid. Medicaid Payable includes the amount the State expects to pay within 60 days of fiscal year end. The remaining amount, estimated Medicaid claims expected to be presented within the next year, is reported as Claims and Judgments within the Long-Term Liabilities due within one year on the government-wide Statement of Net Position. Proprietary fund payables consist mostly of payroll liabilities and vendor obligations. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho.

***Unearned/Deferred Revenue***

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

***Amounts Held in Trust for Others***

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally the owner may default on the conditions; at that time, the asset held in trust becomes the property of the State and revenue is recorded.

***Obligations Under Securities Lending***

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Note 2 for more information.

***Other Accrued Liabilities***

Other accrued liabilities primarily consist of interest payable and other miscellaneous liabilities.

***Long-Term Liabilities***

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately from the portion payable in more than 12 months. Long-term liabilities include the following:

*Bonds and Notes Payable* consists of bonds and notes issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 for more information.

*Capital Leases Payable* consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State. See Note 10 for more information.

*Compensated Absences Payable* includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance. See Note 12 for more information.

*Policy Claim Liabilities* includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated. See Notes 9 and 12 for more information.

*Other Long-Term Liabilities* consists of payables on behalf of the State and its agencies for various legal proceedings and claims, a net pension obligation, net other postemployment benefits obligations, and other miscellaneous liabilities. See Notes 7, 8, and 12 for more information.

***Deferred Inflows of Resources***

Deferred inflows of resources consist of increases in the fair value of hedged derivative instruments to be recognized in a future period. At the time that the instrument is terminated, the amount will be reported as an increase in investment income. See Note 2 for more information.

**E. Net Position / Fund Balance*****Net Position***

Net position is the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources on the government-wide, proprietary, and fiduciary fund financial statements.

Net position is displayed in the following three categories:

*Net Investment in Capital Assets* consists of capital assets net of accumulated depreciation, deferred outflows of resources, deferred inflows of resources, and reduced by outstanding related debt.

*Restricted Net Position* results when third parties, constitutional provisions, or enabling legislation impose constraints on net position use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net position. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net positions are available.

*Unrestricted Net Position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position may have constraints or designations placed upon them by management, which can be unilaterally removed.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Fund Balance

Fund balance is the difference between assets and liabilities on the governmental fund financial statements. The Legislature approves appropriations for State agencies and in so doing specifies the funding sources and the order in which restricted, committed, assigned, or unassigned fund balance is spent. Fund balances are classified in the following five categories:

*Nonspendable* fund balances consist of amounts that cannot be spent because they are in nonspendable form, such as inventories, prepaid items, and long-term receivables; or they are legally or contractually required to be maintained intact, such as the corpus of the permanent fund.

*Restricted* fund balances consist of amounts that are constrained by either external parties or imposed by law through constitutional provisions or enabling legislation and can only be used for specific stated purposes.

*Committed* fund balances consist of amounts that are constrained by statutes enacted by the Legislature and approved by the Governor. The committed amounts cannot be used for any other purposes unless subsequent legislation changes or removes the specified purposes. The legislation that constrains the use of the resources is separate from the authorization to raise the underlying revenue.

*Assigned* fund balances consist of amounts that are constrained by the Legislature's or agency director's intent to be used for specific purposes, and are neither restricted nor committed.

*Unassigned* fund balance is the residual classification for the General Fund.

See Note 13 for more information.

## NOTE 2. DEPOSITS, INVESTMENTS, DERIVATIVE INSTRUMENTS, AND RESTRICTED ASSETS

### A. Deposits

Cash and cash equivalents are deposited with various financial institutions. Legal provisions regarding deposits are found throughout Idaho Code Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all moneys except for the following: the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the endowment fund accounts, the Idaho State Building Authority, some of the colleges' and universities' accounts, the Idaho Housing and Finance Association, the college and university foundations, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the Idaho Bond Bank Authority, some of the Public Employee

Retirement System of Idaho accounts, and the Idaho Public Employees' Deferred Compensation Plan. In accordance with Idaho Code Sections 67-1210 and 67-1210A the STO invests the pooled cash not needed to meet immediate obligations in various types of investments. The pool balances are available on demand to the participants. Interest received on the pooled cash and investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds. The weighted average maturity of the pooled cash and investments held by the STO was 369 days.

*Custodial credit risk* is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State does not have a formal policy to address custodial credit risk.

#### Custodial Credit Risk at June 30, 2013

(dollars in thousands)

|                                                                                                                                                             | Governmental<br>and Business-<br>Type Activities | Fiduciary<br>Funds | Component<br>Units |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------|--------------------|
| Bank Value of Deposits                                                                                                                                      | \$197,393                                        | \$23,531           | \$182,408          |
| Uninsured and Uncollateralized Deposits                                                                                                                     | 103,617                                          | 3,624              | 7,184              |
| Uninsured Deposits Collateralized with Securities<br>Held by the Pledging Financial Institution                                                             | 38,895                                           |                    |                    |
| Uninsured Deposits Collateralized with Securities<br>Held by the Pledging Financial Institution's Trust<br>Department or Agent, but not in the State's Name |                                                  |                    | 49                 |

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

---

**B. Investments****General Investment Policies**

The Idaho Uniform Prudent Investor Act (Idaho Code Sections 68-501 through 68-514) stipulates the standard to be followed by state investment personnel. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with Idaho Code Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing. Unsettled trades payable consisting of \$249.9 million in U.S. government agency securities are subject to interest rate risk, credit risk, and concentration of credit risk.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued as described in Note 1.

**Types of Investments**

Idaho Code Section 67-1210 authorizes the STO and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971; obligations issued by the Federal National Mortgage Association and the Federal Home Loan Bank; and obligations issued or guaranteed by other agencies or instrumentalities of Idaho or of the United States, including the U.S. Small Business Administration guaranteed portion of any approved loan by an Idaho banking corporation and by the STO
- Obligations issued by public corporations of the State
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts

- Time deposit and savings accounts in state depositories, state and federal savings and loan associations, or state and federal credit unions located within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions
- Money market funds whose portfolios consist of investments specified in this section and are denominated in U.S. dollars

Idaho Code Section 67-1210A authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Bonds, notes, and debentures of any U.S. corporation with at least an A rating by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

The Endowment Fund Investment Board (EFIB) manages investments of Idaho's permanent fund, the Land Endowments fund. Idaho Code Section 57-720 gives the EFIB the authority to formulate investment policies of the permanent endowment fund and earnings reserve funds. Idaho Code Section 57-723 stipulates that the EFIB and its investment managers are governed by the Idaho Uniform Prudent Investor Act and the Idaho Constitution. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Collateralized mortgage obligations
- Collective funds whose portfolios are pooled and operated by a business trust company
- Domestic and international equities
- Financial index futures, options, and certain derivatives as approved by the EFIB

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established a Statement of Investment Policy in accordance with Idaho Code Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the EFIB, the following types of investments are approved for PERSI funds:

---

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013**

---

- Derivative instruments, specifically, swaps and forward foreign currency contracts by a few selected managers
- Private equity real estate investments in open-end and closed-end commingled real estate funds, direct real estate, publicly traded real estate investment trusts and other public real estate companies, private real estate companies, and real estate operating venture entities
- Alternative investments upon the recommendation of a qualified consultant after due diligence and with approval by the Board or subcommittee appointed by the Board

***Custodial Credit Risk of Investments***

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the value of investments or collateral securities that are in the possession of an outside party will not be recovered. The State does not have a formal policy to address custodial credit risk. The following describes the policies and risks for those state entities that are exposed to custodial credit risk:

- The Idaho Workers' Compensation Law (Idaho Code Title 72) requires sureties to maintain a security deposit with the STO in order to write workers' compensation insurance or to be self insured. The amount of sureties that are held by the bank in the name of the insurance company and subject to custodial credit risk was \$279.4 million.
- The PERSI investment policy mitigates custodial credit risk by requiring that investments, to the extent possible, be registered in the name of the PERSI and be delivered to a third-party custodian. Short-term investments are created through daily sweeps of excess cash. The PERSI had various short-term investments of \$12.9 million held by various counterparties, not in the PERSI's name.
- The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. The Foundation held \$6.3 million of U.S. Treasury bonds, \$23.6 million of corporate bonds, \$22.9 million of bond mutual funds, \$26.5 million of equity mutual funds, and \$28.1 million of international equity funds that were uninsured and held in the name of the broker.
- The University of Idaho Foundation minimizes exposure to custodial credit risk by requiring that

investments, to the extent possible, be clearly marked as to Foundation ownership and insofar as possible, be held in the Foundation's name. The Foundation held \$3.7 million of government agency securities, \$40.7 million of corporate debt, \$1.1 million of preferred stock, \$0.4 million of municipal securities, \$16.0 million of U.S. Treasuries, \$112.3 million of common stock, \$15.7 million of international equity funds, and \$7.7 million of private equities that were held in the name of the counterparty for benefit of the Foundation.

***Interest Rate Risk of Debt Securities***

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in fair values due to future changes in interest rates. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Barclays Capital Aggregate Bond Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities.
- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI fixed-income portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the PERSI investments schedule quantifies the interest rate risk of the PERSI fixed-income assets. Some of the large durations are due to the use of options and forward foreign currency contracts.
- The Idaho Housing and Finance Association has adopted bond indentures, bond resolutions, and trust resolutions that provide investment maturities based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers. The Association's investment maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2013.

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

**Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2013**  
**(Except Endowment Funds, PERSI, Idaho College Savings Program, and Deferred Compensation Plan)**  
*(dollars in thousands)*

| <b>Investment Type</b>                                                             | <b>Less than<br/>1 Year</b> | <b>1-5<br/>Years</b> | <b>6-10<br/>Years</b> | <b>11-15<br/>Years</b> | <b>16-20<br/>Years</b> | <b>Total<br/>Fair Value</b> |
|------------------------------------------------------------------------------------|-----------------------------|----------------------|-----------------------|------------------------|------------------------|-----------------------------|
| <u>Debt Securities:</u>                                                            |                             |                      |                       |                        |                        |                             |
| Money Market Funds                                                                 | \$79,858                    |                      |                       |                        |                        | \$79,858                    |
| Certificates of Deposit                                                            | 650                         | \$30                 |                       |                        |                        | 680                         |
| Repurchase Agreements                                                              | 424,758                     |                      |                       |                        |                        | 424,758                     |
| Commercial Paper                                                                   | 150,845                     |                      |                       |                        |                        | 150,845                     |
| U.S. Gov't Obligations                                                             | 415,763                     | 186,389              | \$15,735              |                        |                        | 617,887                     |
| U.S. Gov't Agency Obligations                                                      | 1,693,212                   | 296,353              | 17,522                |                        |                        | 2,007,087                   |
| U.S. Gov't Agency<br>Mortgage-Backed Securities*                                   | 463                         | 304,600              | 22,450                |                        |                        | 327,513                     |
| U.S. Gov't Corporation<br>Mortgage-Backed Securities*                              |                             | 36,480               | 15,304                |                        |                        | 51,784                      |
| Commercial Mortgages*                                                              | 2,672                       | 12,751               | 7,371                 |                        |                        | 22,794                      |
| Corporate Obligations                                                              | 112,881                     | 114,247              | 75,141                | \$532                  |                        | 302,801                     |
| Municipal and Public<br>Entity Obligations                                         | 25,248                      | 985                  | 263                   | 90                     |                        | 26,586                      |
| Bond Mutual Funds and Other<br>Pooled Fixed-Income Securities                      | 165,071                     |                      |                       |                        |                        | 165,071                     |
| Foreign Agency Obligations                                                         | 17                          | 502                  | 380                   |                        |                        | 899                         |
| Idaho Small Business Loans                                                         | 21                          | 760                  | 1,226                 |                        | \$528                  | 2,535                       |
| External Investment Pools                                                          | 59,481                      | 9                    |                       |                        |                        | 59,490                      |
| <b>Total Debt Securities</b>                                                       | <b>3,130,940</b>            | <b>953,106</b>       | <b>155,392</b>        | <b>622</b>             | <b>528</b>             | <b>4,240,588</b>            |
| <u>Reinvestment of Securities Lending Collateral:</u>                              |                             |                      |                       |                        |                        |                             |
| Money Market Funds                                                                 | 150,651                     |                      |                       |                        |                        | 150,651                     |
| Repurchase Agreements                                                              | 305,000                     |                      |                       |                        |                        | 305,000                     |
| Commercial Paper                                                                   | 16,199                      |                      |                       |                        |                        | 16,199                      |
| Corporate Obligations                                                              | 18,092                      |                      |                       |                        |                        | 18,092                      |
| <b>Total Debt Securities and Reinvestment<br/>of Securities Lending Collateral</b> | <b>\$3,620,882</b>          | <b>\$953,106</b>     | <b>\$155,392</b>      | <b>\$622</b>           | <b>\$528</b>           | <b>4,730,530</b>            |
| <u>Other Investments:</u>                                                          |                             |                      |                       |                        |                        |                             |
| Mutual Funds                                                                       |                             |                      |                       |                        |                        | 3,441                       |
| Equity Securities and Mutual Funds                                                 |                             |                      |                       |                        |                        | 9,079                       |
| Domestic Equity Securities                                                         |                             |                      |                       |                        |                        | 47,750                      |
| <b>Total</b>                                                                       |                             |                      |                       |                        |                        | <b>\$4,790,800</b>          |

\*Mortgage-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Endowment Funds Interest Rate Risk at June 30, 2013

(dollars in thousands)

| <b>Investment Type</b>                       | <b>Fair Value</b>         | <b>Modified Duration<br/>In Years</b> |
|----------------------------------------------|---------------------------|---------------------------------------|
| <u>Debt Securities:</u>                      |                           |                                       |
| Barclays Capital Aggregate Bond              | \$335,207                 | 5.49                                  |
| U.S. Treasury Inflation-Protected Securities | 58,993                    | 7.18                                  |
| Total Endowment Fund Debt Securities         | <u>394,200</u>            |                                       |
| <u>Other Investments:</u>                    |                           |                                       |
| Equity Investments                           | 1,040,778                 |                                       |
| Money Market Funds                           | 11,750                    |                                       |
| Total Other Endowment Fund Investments       | <u>1,052,528</u>          |                                       |
| <u>Unsettled Trades:</u>                     |                           |                                       |
| Receivable for Investments Sold              | (8,066)                   |                                       |
| Payable for Investments Purchased            | 23,270                    |                                       |
| <b>Total Endowment Fund Investments</b>      | <b><u>\$1,461,932</u></b> |                                       |

### PERSI Investments at June 30, 2013

(dollars in thousands)

| <b>Investment Type</b>           | <b>Fair Value</b>          |
|----------------------------------|----------------------------|
| Domestic Fixed-Income            | \$2,583,416                |
| Commingled Domestic Fixed-Income | 81,139                     |
| International Fixed-Income       | 75,118                     |
| Idaho Commercial Mortgages       | 470,363                    |
| Short-Term Domestic Investments  | 423,931                    |
| Real Estate                      | 477,504                    |
| Domestic Equities                | 4,877,839                  |
| Domestic Equities - Convertibles | 152                        |
| Commingled Domestic Equity       | 199,173                    |
| International Equities           | 2,602,477                  |
| Commingled International Equity  | 42,550                     |
| Private Equity                   | 988,019                    |
| Mutual Funds                     | 522,805                    |
| <b>Total PERSI Investments</b>   | <b><u>\$13,344,486</u></b> |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2013

(dollars in thousands)

| Investment Type                              | Domestic Securities |                             | International Securities |                             | Total Fair Value   |
|----------------------------------------------|---------------------|-----------------------------|--------------------------|-----------------------------|--------------------|
|                                              | Fair Value          | Effective Duration in Years | Fair Value               | Effective Duration in Years |                    |
| Asset-Backed Securities                      | \$5,575             | (0.12)                      |                          |                             | \$5,575            |
| Asset-Backed Securities                      | 199                 | *                           | \$217                    | *                           | 416                |
| Mortgages                                    | 8,818               | 2.13                        |                          |                             | 8,818              |
| Commercial Paper                             | 76,509              | 0.30                        |                          |                             | 76,509             |
| Corporate Bonds                              | 511,865             | 6.79                        | 2,325                    | 3.47                        | 514,190            |
| Fixed-Income Derivatives                     | 390                 | 5.76                        |                          |                             | 390                |
| Fixed-Income Derivatives                     | 87                  | *                           |                          |                             | 87                 |
| Government Agencies                          | 53,588              | 6.66                        | 6,160                    | 0.95                        | 59,748             |
| Government Agencies                          | 199                 | *                           |                          |                             | 199                |
| Government Bonds                             | 476,652             | 6.02                        | 66,415                   | 4.10                        | 543,067            |
| Government Mortgage-Backed Securities        | 385,587             | 2.43                        |                          |                             | 385,587            |
| Government Mortgage-Backed Securities        | 3,187               | *                           |                          |                             | 3,187              |
| Pooled Investments                           | 29,407              | 0.08                        |                          |                             | 29,407             |
| Pooled Investments                           | 81,139              | *                           |                          |                             | 81,139             |
| Private Placements                           | 73,313              | 4.38                        |                          |                             | 73,313             |
| Private Placements                           | 90,420              | *                           |                          |                             | 90,420             |
| U.S. Treasury Inflation-Protected Securities | 1,280,487           | 9.65                        |                          |                             | 1,280,487          |
| Idaho Mortgages                              | 470,363             | *                           |                          |                             | 470,363            |
| <b>Total PERSI Fixed Income Securities</b>   | <b>\$3,547,785</b>  |                             | <b>\$75,117</b>          |                             | <b>\$3,622,902</b> |

\*Duration calculations for some securities are not available.

### Idaho College Savings Program Investments at June 30, 2013

(dollars in thousands)

| Investment Type                                        | Fair Value       | Average Maturity In Years |
|--------------------------------------------------------|------------------|---------------------------|
| Money Market Funds                                     | \$24,302         | Less than 1               |
| Bond Fund                                              | 95,198           | 7.4                       |
| Inflation-Linked Bond Fund                             | 13,316           | 8.8                       |
| Equity Funds                                           | 86,116           |                           |
| International Equity Funds                             | 36,433           |                           |
| Sally Mae High-Yield Savings Account                   | 6,612            |                           |
| <b>Total Idaho College Savings Program Investments</b> | <b>\$261,977</b> |                           |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Deferred Compensation Plan Investments at December 31, 2012

(dollars in thousands)

| Investment Type                                                                      | Fair Value              | Average Maturity<br>In Years |
|--------------------------------------------------------------------------------------|-------------------------|------------------------------|
| <u>Fixed Income:</u>                                                                 |                         |                              |
| Great West Life Fixed Option                                                         | \$54                    |                              |
| Idaho Retiree Fixed Fund                                                             | 84,993                  | 11.50                        |
| Nationwide Life Fixed Fund                                                           | 59,425                  | 11.50                        |
| Total Fixed Income                                                                   | <u>144,472</u>          |                              |
| <u>Variable Income:</u>                                                              |                         |                              |
| American Century                                                                     | 36,312                  |                              |
| Capital World                                                                        | 5,720                   |                              |
| Carrier Suspense                                                                     | 1                       |                              |
| Charles Schwab                                                                       | 1,183                   |                              |
| Dreyfus                                                                              | 6,182                   |                              |
| Dreyfus Bond Market Index Fund                                                       | 4,630                   | 6.69                         |
| EuroPacific Growth Fund                                                              | 3,718                   |                              |
| Fidelity                                                                             | 19,482                  |                              |
| Great West                                                                           | 16                      |                              |
| JPMorgan                                                                             | 2,516                   |                              |
| Legg Mason Partners                                                                  | 835                     |                              |
| Nationwide                                                                           | 472                     |                              |
| Nationwide Destinations 2015 Fund                                                    | 1,550                   | 11.92                        |
| Nationwide Destinations 2020 Fund                                                    | 1,353                   | 11.92                        |
| Nationwide Destinations 2025 Fund                                                    | 1,076                   | 10.93                        |
| Nationwide Destinations 2030 Fund                                                    | 952                     | 11.13                        |
| Nationwide Destinations 2035 Fund                                                    | 362                     | 11.79                        |
| Nationwide Destinations 2040 Fund                                                    | 132                     | 11.79                        |
| Nationwide Destinations 2045 Fund                                                    | 86                      | 11.79                        |
| Nationwide Destinations 2050 Fund                                                    | 17                      | 11.79                        |
| Nationwide Investor Destinations Aggressive Fund                                     | 6,916                   | 11.92                        |
| Nationwide Investor Destinations Conservative Fund                                   | 1,450                   | 9.94                         |
| Nationwide Investor Destinations Moderate Fund                                       | 9,041                   | 10.44                        |
| Nationwide Investor Destinations Moderately Aggressive Fund                          | 12,043                  | 10.90                        |
| Nationwide Investor Destinations Moderately Conservative Fund                        | 1,662                   | 10.17                        |
| Nationwide Retirement Income Fund                                                    | 144                     | 10.38                        |
| Neuberger Berman                                                                     | 8,528                   |                              |
| Shelton Core Value Fund                                                              | 15                      |                              |
| State Street Equity                                                                  | 4,869                   |                              |
| Templeton Foreign Fund                                                               | 1,408                   |                              |
| The Income Fund of America                                                           | 11,907                  | 5.90                         |
| Van Kampen                                                                           | 2,098                   |                              |
| Waddell & Reed Advisors High Income Fund                                             | 3,330                   | 4.70                         |
| Total Variable Income                                                                | <u>150,006</u>          |                              |
| <u>Annuity Payout Options:</u>                                                       |                         |                              |
| DCVAII                                                                               | 31                      |                              |
| Nationwide Life                                                                      | 2,775                   |                              |
| Total Annuity Payout Options                                                         | <u>2,806</u>            |                              |
| <u>Life Insurance Contracts:</u>                                                     |                         |                              |
| Monumental Life                                                                      | 416                     |                              |
| <b>Total Deferred Compensation Plan<br/>Investments and Life Insurance Contracts</b> | <b><u>\$297,700</u></b> |                              |

All investments are unrated.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Component Units Maturity of Debt Investments at June 30, 2013

(dollars in thousands)

| Investment Type                              | Less<br>than 1<br>Year | 1-5<br>Years     | 6-10<br>Years   | 11-15<br>Years | 16-20<br>Years  | 21-25<br>Years  | 26-30<br>Years | More than<br>30 Years | Total<br>Fair Value |
|----------------------------------------------|------------------------|------------------|-----------------|----------------|-----------------|-----------------|----------------|-----------------------|---------------------|
| <b>Debt Securities:</b>                      |                        |                  |                 |                |                 |                 |                |                       |                     |
| Money Market Funds                           | \$141,893              |                  |                 |                |                 |                 |                |                       | \$141,893           |
| Certificates of Deposit                      | 224                    |                  |                 |                |                 |                 |                |                       | 224                 |
| U.S. Gov't Obligations                       | 3,076                  | \$31,812         | \$7,924         | \$3,815        |                 | \$106           |                | \$47                  | 46,780              |
| U.S. Gov't Agency Obligations                | 2,338                  | 27,304           | 16,247          | 1,557          | \$14,793        | 33,396          |                |                       | 95,635              |
| Corporate Obligations                        | 15,285                 | 54,181           | 10,303          | 493            | 743             | 133             | \$99           | 238                   | 81,475              |
| Preferred Securities                         |                        | 1                | 2               | 1              |                 | 1               |                |                       | 5                   |
| Municipal Obligations                        | 9                      | 168              | 46              | 184            | 35              | 32              |                | 14                    | 488                 |
| Bond Mutual Funds                            |                        | 13,267           | 18,243          | 115            |                 |                 |                |                       | 31,625              |
| <b>Total Debt Securities</b>                 | <b>\$162,825</b>       | <b>\$126,733</b> | <b>\$52,765</b> | <b>\$6,165</b> | <b>\$15,571</b> | <b>\$33,668</b> | <b>\$99</b>    | <b>\$299</b>          | <b>398,125</b>      |
| <b>Other Investments:</b>                    |                        |                  |                 |                |                 |                 |                |                       |                     |
| Cash Equivalents included with Investments   |                        |                  |                 |                |                 |                 |                |                       | 1,091               |
| Domestic Equities                            |                        |                  |                 |                |                 |                 |                |                       | 112,349             |
| Foreign Equities                             |                        |                  |                 |                |                 |                 |                |                       | 634                 |
| Private Equities                             |                        |                  |                 |                |                 |                 |                |                       | 15,157              |
| Investment Agreements                        |                        |                  |                 |                |                 |                 |                |                       | 94,152              |
| Corporate Obligations Without Maturity Dates |                        |                  |                 |                |                 |                 |                |                       | 1,123               |
| Equity and Income Mutual Funds               |                        |                  |                 |                |                 |                 |                |                       | 24,040              |
| Mutual Funds                                 |                        |                  |                 |                |                 |                 |                |                       | 56,397              |
| International Equity Funds                   |                        |                  |                 |                |                 |                 |                |                       | 43,723              |
| Real Estate and Perpetual Trusts*            |                        |                  |                 |                |                 |                 |                |                       | 10,130              |
| Commodities                                  |                        |                  |                 |                |                 |                 |                |                       | 3,563               |
| Insurance Annuities                          |                        |                  |                 |                |                 |                 |                |                       | 332                 |
| Hedge Funds                                  |                        |                  |                 |                |                 |                 |                |                       | 9,132               |
| Interest Rate Swaps                          |                        |                  |                 |                |                 |                 |                |                       | (3,759)             |
| Land Held by Endowment**                     |                        |                  |                 |                |                 |                 |                |                       | 5,932               |
| <b>Component Units Investments</b>           |                        |                  |                 |                |                 |                 |                |                       | <b>\$772,121</b>    |

\*\$474 valued at cost. \*\*Investments valued at cost.

#### Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. The State does not have a formal policy to address credit risk of debt securities. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The State Board of Education policy allows colleges and universities to invest in corporate bonds and mortgage-backed securities of A grade or better and

commercial paper of prime or equivalent grade without prior Board approval.

- The EFIB investment policy states that investment grade bonds must be rated BBB (or the equivalent) or better; commercial paper must be rated A1 (or the equivalent) or better; and money market funds shall contain securities with an absolute minimum of investment grade by Standard & Poor's (S&P) or Moody's.
- The PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that outline expected portfolio characteristics which usually, but not always, include credit quality and exposure levels. Per the PERSI policy, these characteristics are

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

established and monitored within each portfolio, with variances reported by the manager.

- The Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those allowed by Idaho

Code Section 67-6215B or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing Investment Trust and the Loan Guaranty Trust. The Association has not adopted a formal policy related to the Association's business operations investments.

**Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2013**  
**(Except Endowment Funds, PERSI, and Deferred Compensation Plan)**  
*(dollars in thousands)*

| Investment Type                                            | Aaa             | Aa                 | A                | Baa             | A1-P1            | Unrated          | Fair Value         |
|------------------------------------------------------------|-----------------|--------------------|------------------|-----------------|------------------|------------------|--------------------|
| Money Market Funds*                                        | \$21,505        |                    |                  |                 |                  | \$96,462         | \$117,967          |
| Certificates of Deposit                                    |                 |                    |                  |                 |                  | 680              | 680                |
| Repurchase Agreements                                      |                 |                    |                  |                 |                  | 424,758          | 424,758            |
| Commercial Paper                                           |                 |                    |                  |                 | \$150,845        |                  | 150,845            |
| U.S. Gov't Agency Obligations                              | 8,475           | \$1,432,740        |                  |                 | 461,172          | 104,700          | 2,007,087          |
| U.S. Gov't Agency Mortgage-Backed Securities               | 527             | 322,031            |                  |                 |                  | 4,955            | 327,513            |
| Commercial Mortgages                                       | 16,540          | 4,639              | \$1,605          | \$10            |                  |                  | 22,794             |
| Corporate Obligations                                      | 35,648          | 63,254             | 191,000          | 12,899          |                  |                  | 302,801            |
| Municipal and Public Entity Obligations                    | 335             | 518                | 28               | 42              |                  | 25,663           | 26,586             |
| Bond Mutual Funds and Other Pooled Fixed-Income Securities |                 |                    |                  |                 |                  | 273,585          | 273,585            |
| Foreign Agency Obligations                                 | 244             | 176                | 182              | 297             |                  |                  | 899                |
| External Investment Pools                                  |                 |                    |                  |                 |                  | 59,490           | 59,490             |
| <b>Total</b>                                               | <b>\$83,274</b> | <b>\$1,823,358</b> | <b>\$192,815</b> | <b>\$13,248</b> | <b>\$612,017</b> | <b>\$990,293</b> | <b>\$3,715,005</b> |

**Reinvestment of Securities Lending Collateral:**

| Investment Type       | Aaa              | A1-P1            | Unrated         | Fair Value       |
|-----------------------|------------------|------------------|-----------------|------------------|
| Money Market Funds    | \$150,651        |                  |                 | \$150,651        |
| Repurchase Agreements |                  | \$305,000        |                 | 305,000          |
| Commercial Paper      |                  | 16,199           |                 | 16,199           |
| Corporate Obligations |                  |                  | \$18,092        | 18,092           |
| <b>Total</b>          | <b>\$150,651</b> | <b>\$321,199</b> | <b>\$18,092</b> | <b>\$489,942</b> |

\*Includes \$13.8 million of money market funds that are reported with cash and cash equivalents.

**Endowment Funds**  
**Credit Quality Ratings of Debt Investments at June 30, 2013**  
*(dollars in thousands)*

| Investment Type                 | Fair Value       | Average S & P Rating |
|---------------------------------|------------------|----------------------|
| Barclays Capital Aggregate Bond | \$335,207        | AA                   |
| Northern Money Market Fund      | 11,750           | AAA                  |
| <b>Total</b>                    | <b>\$346,957</b> |                      |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### PERSI Credit Quality Ratings of Fixed-Income Securities at June 30, 2013

(dollars in thousands)

| S & P Rating Level | Investment Type     |                          | Fair Value         |
|--------------------|---------------------|--------------------------|--------------------|
|                    | Domestic Securities | International Securities |                    |
| Agency (A-1+)      | \$37,711            |                          | \$37,711           |
| Agency (A-1)       | 28,965              |                          | 28,965             |
| AAA                | 40,314              | \$23,385                 | 63,699             |
| AA                 | 361,979             | 719                      | 362,698            |
| A                  | 288,167             | 24,537                   | 312,704            |
| BBB                | 128,774             | 12,161                   | 140,935            |
| BB                 | 10,458              |                          | 10,458             |
| B                  | 7,061               |                          | 7,061              |
| CCC                | 4,568               |                          | 4,568              |
| CC                 | 1,024               |                          | 1,024              |
| D                  | 792                 |                          | 792                |
| Not Rated          | 300,325             | 14,315                   | 314,640            |
| <b>Total</b>       | <b>\$1,210,138</b>  | <b>\$75,117</b>          | <b>\$1,285,255</b> |

### Component Units Credit Quality Ratings of Debt Securities at June 30, 2013

(dollars in thousands)

| Investment Type               | Aaa             | Aa              | A               | Baa             | Ba             | B              | Caa         | D           | Unrated          | Fair Value       |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|-------------|-------------|------------------|------------------|
| Money Market Funds            |                 |                 |                 |                 |                |                |             |             | \$141,893        | \$141,893        |
| Certificates of Deposit       |                 |                 |                 |                 |                |                |             |             | 224              | 224              |
| U.S. Gov't Agency Obligations | \$91,983        | \$3,639         |                 |                 |                |                |             |             | 13               | 95,635           |
| Corporate Obligations         | 1,990           | 25,573          | \$31,886        | \$17,847        | \$2,025        | \$1,640        | \$54        | \$34        | 426              | 81,475           |
| Preferred Securities          | 1               |                 | 1               | 1               | 1              | 1              |             |             |                  | 5                |
| Municipal Obligations         | 14              | 7               | 300             | 37              | 49             | 8              |             |             | 73               | 488              |
| Bond Mutual Funds             | 3,632           | 4,457           | 13,511          | 9               | 1,533          | 1,539          |             |             | 6,944            | 31,625           |
| <b>Total</b>                  | <b>\$97,620</b> | <b>\$33,676</b> | <b>\$45,698</b> | <b>\$17,894</b> | <b>\$3,608</b> | <b>\$3,188</b> | <b>\$54</b> | <b>\$34</b> | <b>\$149,573</b> | <b>\$351,345</b> |

### Concentration of Credit Risk

Concentration of credit risk describes the heightened exposure to loss when a considerable number of investments exist in a single issuer. The State has adopted a principle that governments should provide note disclosure when at least 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, the STO pool portfolio, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.

- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.
- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Primary Government Concentration of Credit Risk at June 30, 2013

(dollars in thousands)

| Portfolio                | Issuer                                 | Fair Value | Percent of Portfolio Investments |
|--------------------------|----------------------------------------|------------|----------------------------------|
| Boise State University:  | American Express Credit Corporation    | \$5,046    | 5.3                              |
|                          | Capital One Bank                       | 5,145      | 5.4                              |
|                          | Goldman Sachs                          | 5,012      | 5.3                              |
|                          | ING Funding LLC                        | 4,997      | 5.3                              |
|                          | JPMorgan Chase                         | 5,124      | 5.4                              |
| Idaho Potato Commission: | Federal Home Loan Bank                 | 882        | 100.0                            |
| STO Pool:                | Federal Home Loan Bank                 | 345,024    | 16.3                             |
|                          | Federal Home Loan Mortgage Corporation | 361,410    | 17.1                             |
|                          | Federal National Mortgage Association  | 293,594    | 13.9                             |
|                          | Goldman Sachs                          | 107,592    | 5.1                              |
|                          | UBS                                    | 160,000    | 7.6                              |
| University of Idaho:     | Federal Home Loan Mortgage Corporation | 6,203      | 9.8                              |
|                          | Federal National Mortgage Association  | 9,499      | 15.0                             |

### Component Unit Concentration of Credit Risk at June 30, 2013

(dollars in thousands)

| Component Unit                         | Issuer                                 | Fair Value | Percent of Portfolio Investments |
|----------------------------------------|----------------------------------------|------------|----------------------------------|
| Idaho Housing and Finance Association: | Bayerische Landesbank                  | \$62,878   | 19.5                             |
|                                        | Federal Farm Credit Bank               | 32,308     | 10.0                             |
|                                        | Trinity Plus Funding Company           | 20,135     | 6.3                              |
| Petroleum Clean Water Trust:           | Federal Home Loan Bank                 | 2,070      | 6.2                              |
|                                        | Federal Home Loan Mortgage Corporation | 2,855      | 8.5                              |
|                                        | Federal National Mortgage Association  | 2,029      | 6.0                              |
| Health Reinsurance:                    | Federal Home Loan Bank                 | 4,758      | 36.5                             |
|                                        | Federal National Mortgage Association  | 7,771      | 59.7                             |

### Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 21 percent of the EFIB total

investments in international equities. No foreign fixed-income securities are permitted except currency.

- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

- The Lewis-Clark State College Foundation investment policy permits investments in equities denominated in foreign currencies. The policy limits the investments in international equities to no more than 15 percent of the Foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

**Endowment Funds Foreign Currency Risk at June 30, 2013**  
*(dollars in thousands)*

| <b>Currency</b>    | <b>Investment Type</b> | <b>Fair Value in U.S. Dollars</b> |
|--------------------|------------------------|-----------------------------------|
| Australian Dollar  | Equities               | \$9,775                           |
| Brazilian Real     | Equities               | 296                               |
| Canadian Dollar    | Equities               | 4,547                             |
| Danish Krone       | Equities               | 3,507                             |
| Euro               | Equities               | 38,715                            |
| Hong Kong Dollar   | Equities               | 13,431                            |
| Indonesian Rupiah  | Equities               | 562                               |
| Israeli Shekel     | Equities               | 733                               |
| Japanese Yen       | Equities               | 44,496                            |
| Norwegian Krone    | Equities               | 2,780                             |
| Philippine Peso    | Equities               | 3,834                             |
| Singapore Dollar   | Equities               | 6,431                             |
| South African Rand | Equities               | 555                               |
| South Korean Won   | Equities               | 2,405                             |
| Swedish Krona      | Equities               | 8,185                             |
| Swiss Franc        | Equities               | 22,548                            |
| Taiwanese Dollar   | Equities               | 782                               |
| Thai Baht          | Equities               | 587                               |
| U.K. Pound         | Equities               | 48,860                            |
| <b>Total</b>       |                        | <b>\$213,029</b>                  |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### PERSI Foreign Currency Risk at June 30, 2013 (dollars in thousands)

| Currency           | Investment Type           |                    |                 | Fair Value<br>of Currency<br>in U.S. Dollars |
|--------------------|---------------------------|--------------------|-----------------|----------------------------------------------|
|                    | Short-Term<br>Investments | Equities           | Fixed<br>Income |                                              |
| Australian Dollar  | (\$19,737)                | \$65,402           | \$7,454         | \$53,119                                     |
| Brazilian Real     | (243)                     | 82,445             | 1,311           | 83,513                                       |
| Canadian Dollar    | (19,401)                  | 29,058             | 18,509          | 28,166                                       |
| Chilean Peso       | 4                         | 7,280              |                 | 7,284                                        |
| Chinese Yuan       |                           | 1                  |                 | 1                                            |
| Colombian Peso     | 5                         | 3,578              |                 | 3,583                                        |
| Czech Koruna       | 63                        | 3,805              |                 | 3,868                                        |
| Danish Krone       | 40                        | 15,431             |                 | 15,471                                       |
| Egyptian Pound     | 58                        | 1,239              |                 | 1,297                                        |
| Euro               | (27,991)                  | 616,133            | 25,333          | 613,475                                      |
| Hong Kong Dollar   | 373                       | 236,134            |                 | 236,507                                      |
| Hungarian Forint   | 122                       | 7,593              |                 | 7,715                                        |
| Indonesian Rupiah  | 144                       | 46,499             |                 | 46,643                                       |
| Israeli Shekel     | 67                        | 5,824              |                 | 5,891                                        |
| Japanese Yen       | 373                       | 376,797            |                 | 377,170                                      |
| Kenyan Shilling    |                           | 175                |                 | 175                                          |
| Malaysian Ringgit  | 84                        | 23,028             |                 | 23,112                                       |
| Mexican New Peso   | (5,265)                   | 30,604             | 11,957          | 37,296                                       |
| Moroccan Dirham    | 7                         | 298                |                 | 305                                          |
| New Taiwan Dollar  | 305                       | 86,630             |                 | 86,935                                       |
| New Turkish Lira   | (145)                     | 60,123             |                 | 59,978                                       |
| New Zealand Dollar | 18                        | 600                |                 | 618                                          |
| Norwegian Krone    | 4,503                     | 8,203              |                 | 12,706                                       |
| Philippine Peso    | 15                        | 36,990             |                 | 37,005                                       |
| Polish Zloty       | (2,987)                   | 13,952             | 7,185           | 18,150                                       |
| Russian New Ruble  |                           | 14,827             |                 | 14,827                                       |
| Singapore Dollar   | 25                        | 30,475             |                 | 30,500                                       |
| South African Rand | (102)                     | 68,747             | 1,597           | 70,242                                       |
| South Korean Won   | (3,696)                   | 176,023            |                 | 172,327                                      |
| Sri Lanka Rupee    |                           | 373                |                 | 373                                          |
| Swedish Krona      | 21                        | 26,898             |                 | 26,919                                       |
| Swiss Franc        | (1,316)                   | 116,189            |                 | 114,873                                      |
| Thai Baht          | 7                         | 52,173             |                 | 52,180                                       |
| U.K. Pound         | (1,487)                   | 427,117            | 2,366           | 427,996                                      |
| <b>Total</b>       | <b>(\$76,136)</b>         | <b>\$2,670,644</b> | <b>\$75,712</b> | <b>\$2,670,220</b>                           |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### College and University Foundations

#### Foreign Currency Risk at June 30, 2013

(dollars in thousands)

| Currency           | Investment Type | Fair Value in U.S. Dollars |
|--------------------|-----------------|----------------------------|
| Australian Dollar  | Equities        | \$2,604                    |
| Brazilian Real     | Equities        | 1,225                      |
| Canadian Dollar    | Equities        | 38                         |
| Chilean Peso       | Equities        | 139                        |
| Chinese Yuan       | Equities        | 2,025                      |
| Colombian Peso     | Equities        | 6                          |
| Czech Koruna       | Equities        | 17                         |
| Danish Krone       | Equities        | 16                         |
| Euro               | Equities        | 2,943                      |
| Hong Kong Dollar   | Equities        | 3,026                      |
| Hungarian Forint   | Equities        | 55                         |
| Indian Rupee       | Equities        | 785                        |
| Indonesian Rupiah  | Equities        | 312                        |
| Israeli Shekel     | Equities        | 30                         |
| Japanese Yen       | Equities        | 2,855                      |
| Malaysian Ringgit  | Equities        | 406                        |
| Mexican Peso       | Equities        | 750                        |
| New Zealand Dollar | Equities        | 14                         |
| Norwegian Krone    | Equities        | 22                         |
| Peruvian Nuevo Sol | Equities        | 92                         |
| Philippine Peso    | Equities        | 184                        |
| Polish Zloty       | Equities        | 256                        |
| Russian Ruble      | Equities        | 685                        |
| Singapore Dollar   | Equities        | 1,608                      |
| South African Rand | Equities        | 666                        |
| South Korean Won   | Equities        | 1,875                      |
| Swedish Krona      | Equities        | 600                        |
| Swiss Franc        | Equities        | 2,461                      |
| Taiwan Dollar      | Equities        | 1,616                      |
| Thai Baht          | Equities        | 440                        |
| Turkish Lira       | Equities        | 412                        |
| U.K. Pound         | Equities        | 7,883                      |
| <b>Total</b>       |                 | <b>\$36,046</b>            |

#### Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

*Mortgage-Backed Securities* have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by the EFIB and the PERSI.

*Treasury Inflation Protected Securities (TIPS)* are fixed-income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. The Endowment Funds had investments in TIPS with a fair value of \$59.0 million, and the PERSI had investments in TIPS with a fair value of \$1.3 billion.

The Idaho Housing and Finance Association has four U.S. agency obligations with an aggregate value of \$17.0 million with call options. The Association is invested in pay-fixed, receive-variable interest rate swaps with notional amounts totaling \$15.1 million, and fair value of negative \$3.8 million. The Association pays

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

fixed rate payments between 3.368 percent and 5.3 percent and receives variable rate payments based on the Securities Industry and Financial Markets Association (SIFMA) and the London Interbank Offered Rate (LIBOR) indices.

#### Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at a higher price.

The Idaho Housing and Finance Association invests excess cash overnight in repurchase agreements that are held in the Association's account in the name of the bank and are collateralized by the U.S. government and agency obligations. The Association had repurchase agreements of \$15.9 million with Wells Fargo Bank and \$1.7 million with Key Bank.

#### Securities Lending Agreements

Securities lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Idaho Code Section 67-1210A authorizes the STO to engage in securities lending agreements. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The investments are collateralized at no

less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The cash collateral received is held in a separate account in the name of the STO. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the STO pool portfolio had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities loans upon demand. Generally the average term of these loans is under ten days. The cash collateral received is invested by the agent in marketable securities of varying terms with maturities ranging between one day and three years. As of June 30, 2013, more than 34 percent of the portfolio was invested in instruments with a one-day maturity or less and the weighted average maturity of the cash collateral portfolio was 32 days.

In fiscal year 2011, the STO identified four potentially non-compliant securities in its securities lending portfolio. During fiscal year 2012, the STO reached an agreement with its lending agent, avoiding a dispute regarding the securities' status as compliant securities in the lending portfolio. In fiscal year 2013, the securities were liquidated.

#### Primary Government Balances of Securities Lending Transactions at June 30, 2013 (dollars in thousands)

|                                            | Fair Value<br>of Lent<br>Securities | Cash Collateral<br>Received for<br>Lent Securities |
|--------------------------------------------|-------------------------------------|----------------------------------------------------|
| <b>Securities Lent for Cash Collateral</b> |                                     |                                                    |
| U.S. Treasury Obligations                  | \$126,537                           | \$129,443                                          |
| U.S. Gov't Agency Obligations              | 369,983                             | 377,973                                            |
| <b>Total</b>                               | <b>\$496,520</b>                    | <b>\$507,416</b>                                   |

Reinvestment of securities lending balances of the STO pool portfolio are reported in the General Fund.

#### C. Derivative Instruments

Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments.

#### Primary Government

The Idaho State Building Authority entered into a pay-fixed interest rate contract as a cash flow hedge; the fair

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

value at June 30, 2013, was \$6.8 million, which is reported as deferred outflows of resources and deferred inflows of resources on the government-wide Statement

of Net Position. The Authority contract has the following objectives and terms:

| Type                             | Objective                                                 | Notional Amount<br>(in thousands) | Effective Date | Maturity Date | Terms                                       | Counterparty Credit Rating |
|----------------------------------|-----------------------------------------------------------|-----------------------------------|----------------|---------------|---------------------------------------------|----------------------------|
| Pay-fixed interest rate contract | Hedge of changes in cash flows on the 2008 Series A bonds | \$38,370                          | 12/1/2008      | 9/1/2025      | Pay 4.3%; receive 67% of 1-month LIBOR rate | A                          |

The Authority is exposed to credit risk on the interest rate contract that could potentially be in an asset position.

The Authority is exposed to interest rate risk on the interest rate contract. As the one-month LIBOR Index rate decreases, the Authority's net payment on the interest rate contract increases.

The Authority is exposed to basis risk on the interest rate contract because the variable-rate payments received by the Authority on this hedging instrument are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is currently remarketed every seven days. As of June 30, 2013, the interest rate on the Authority's hedged variable-rate debt was 0.082 percent while 67 percent of the one-month LIBOR was 0.129 percent.

The Authority or its counterparty may terminate the interest rate contract if the other party fails to perform under the terms of the contract. In addition, the Authority may terminate at any time. If at the time of termination the interest rate contract is in a liability

position, the Authority would be liable to the counterparty for a payment equal to the liability.

#### Component Units

The Idaho Housing and Finance Association has entered into multiple interest rate swap agreements to reduce the Association's overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The fair value of the swaps was a negative \$84.0 million and is reported in other liabilities on the Statement of Net Position. The Association has determined that a substantial portion of its interest rate swaps effectively hedge against changes in variable interest rates. Changes in fair value for hedge swaps are reported on the Statement of Net Position as deferred outflows of resources of \$87.7 million and deferred inflows of resources of \$5.0 million. A portion of the interest rate swaps are considered non-effective for hedging purposes and are reported in the Statement of Revenues, Expenses, and Changes in Net Position at negative \$3.8 million. The Association has the following interest rate swap agreements:

#### Idaho Housing and Finance Association - Hedging Derivative Instruments

##### Interest Rate Swap Agreements at June 30, 2013

(dollars in thousands)

| Series        | Notional Amount | Fair Value | Change in Fair Value | Inception Date | Termination Date | Terms           |                                     |
|---------------|-----------------|------------|----------------------|----------------|------------------|-----------------|-------------------------------------|
|               |                 |            |                      |                |                  | Fixed Rate Paid | Variable Rate Received              |
| 2000 Series F | \$4,115         | (\$360)    | \$343                | 11/6/2008      | 1/1/2018         | 5.3000%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2000 Series G | 6,900           | (930)      | 545                  | 11/6/2008      | 7/1/2021         | 5.2500%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series A | 5,910           | (768)      | 269                  | 11/6/2008      | 1/1/2020         | 4.7600%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series B | 3,820           | (413)      | 220                  | 11/6/2008      | 7/1/2020         | 4.8660%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series C | 6,225           | (853)      | 292                  | 11/6/2008      | 7/1/2020         | 4.8600%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series D | 8,755           | (1,271)    | 513                  | 11/6/2008      | 7/1/2022         | 4.7300%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series E | 5,400           | (706)      | 230                  | 11/6/2008      | 7/1/2022         | 4.5300%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series F | 6,450           | (882)      | 297                  | 11/6/2008      | 1/1/2021         | 4.7000%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series A | 6,600           | (870)      | 456                  | 11/6/2008      | 1/1/2021         | 5.0200%         | SIFMA A+.20% (LIBOR<3.5%)/68% LIBOR |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

| Series            | Notional Amount  | Fair Value        | Change in Fair Value | Inception Date | Termination Date | Terms           |                                   |
|-------------------|------------------|-------------------|----------------------|----------------|------------------|-----------------|-----------------------------------|
|                   |                  |                   |                      |                |                  | Fixed Rate Paid | Variable Rate Received            |
| 2002 Series B     | \$6,055          | (\$634)           | \$451                | 11/6/2008      | 1/1/2021         | 4.9500%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series C     | 6,715            | (893)             | 407                  | 11/6/2008      | 1/1/2021         | 4.8900%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series D     | 9,250            | (1,131)           | 722                  | 11/6/2008      | 7/1/2022         | 4.7100%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series E     | 6,635            | (874)             | 291                  | 11/6/2008      | 7/1/2021         | 4.4800%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series F     | 6,010            | (693)             | 250                  | 11/6/2008      | 1/1/2024         | 3.7900%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series G     | 4,520            | (553)             | 189                  | 11/6/2008      | 1/1/2024         | 4.1400%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2003 Series A     | 8,645            | (1,367)           | 531                  | 11/6/2008      | 1/1/2026         | 4.5190%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2003 Series B     | 7,225            | (903)             | 316                  | 11/6/2008      | 7/1/2024         | 4.0360%         | SIFMA+.20%                        |
| 2003 Series C     | 4,750            | (559)             | 218                  | 11/6/2008      | 1/1/2025         | 3.7800%         | SIFMA+.20%                        |
| 2003 Series D     | 7,725            | (1,404)           | 455                  | 11/6/2008      | 7/1/2025         | 4.8400%         | SIFMA+.20%                        |
| 2003 Series E     | 7,570            | (1,174)           | 396                  | 11/6/2008      | 7/1/2025         | 4.5300%         | SIFMA+.20%                        |
| 2004 Series A     | 7,520            | (1,079)           | 369                  | 11/7/2008      | 1/1/2026         | 4.0290%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2004 Series B     | 7,560            | (1,247)           | 410                  | 11/7/2008      | 1/1/2027         | 4.3700%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2004 Series C     | 7,815            | (1,258)           | 407                  | 11/7/2008      | 7/1/2025         | 4.3300%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2004 Series D     | 9,610            | (1,318)           | 511                  | 11/7/2008      | 1/1/2028         | 3.8500%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2005 Series A     | 9,890            | (1,416)           | 549                  | 11/7/2008      | 1/1/2029         | 3.9000%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2005 Series B     | 9,700            | (1,438)           | 541                  | 11/7/2008      | 7/1/2028         | 3.9850%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2005 Series C     | 9,845            | (1,286)           | 521                  | 11/7/2008      | 7/1/2028         | 3.7300%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2005 Series D     | 10,330           | (1,345)           | 512                  | 11/7/2008      | 7/1/2028         | 3.8650%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2005 Series E     | 10,190           | (1,473)           | 555                  | 11/7/2008      | 1/1/2029         | 3.9300%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2005 Series F     | 10,550           | (1,655)           | 600                  | 11/7/2008      | 1/1/2029         | 4.0950%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2006 Series A     | 10,255           | (1,626)           | 597                  | 11/7/2008      | 1/1/2029         | 4.1000%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2006 Series B     | 7,445            | (1,210)           | 379                  | 11/7/2008      | 7/1/2025         | 4.3500%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2006 Series C     | 7,230            | (1,174)           | 366                  | 11/7/2008      | 1/1/2025         | 4.3600%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2006 Series D     | 8,435            | (1,414)           | 435                  | 11/7/2008      | 1/1/2025         | 4.4500%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2006 Series E     | 9,855            | (1,549)           | 504                  | 11/7/2008      | 1/1/2026         | 4.2800%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2006 Series F     | 10,020           | (1,422)           | 501                  | 11/7/2008      | 1/1/2026         | 4.0300%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2006 Series G     | 9,955            | (1,333)           | 481                  | 11/7/2008      | 7/1/2026         | 3.9100%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2007 Series A     | 10,290           | (1,498)           | 540                  | 11/7/2008      | 7/1/2026         | 4.0438%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2007 Series B     | 11,805           | (1,495)           | 702                  | 11/7/2008      | 1/1/2027         | 3.8950%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2007 Series C     | 12,400           | (1,751)           | 646                  | 11/7/2008      | 1/1/2027         | 3.9770%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2008 Series A     | 24,000           | (1,944)           | (2,790)              | 11/7/2008      | 7/1/2030         | 3.7190%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2008 Series B     | 24,545           | (2,403)           | (381)                | 11/7/2008      | 7/1/2029         | 3.5950%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2008 Series C     | 17,385           | (3,424)           | 88                   | 11/7/2008      | 7/1/2026         | 3.7500%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2008 Series D     | 5,190            | (4,844)           | 2,726                | 10/2/2008      | 7/1/2026         | 3.3680%         | SIFMA+.10% (LIBOR<3.5%)/68% LIBOR |
| 2012/07D Series A | 14,340           | (5,453)           | 4,024                | 11/7/2008      | 1/1/2026         | 4.8930%         | LIBOR+.71%                        |
| 2012/07E Series A | 17,475           | (3,639)           | 2,019                | 11/7/2008      | 1/1/2026         | 4.9360%         | LIBOR+.71%                        |
| 2012/07F Series A | 21,815           | (4,465)           | 3,904                | 11/7/2008      | 1/1/2026         | 5.2840%         | LIBOR+.71%                        |
| 2012/07G Series A | 25,000           | (3,675)           | 4,624                | 11/7/2008      | 1/1/2030         | 5.3920%         | LIBOR+.76%                        |
| 2012/07H Series A | 29,505           | (3,403)           | 2,843                | 11/7/2008      | 1/1/2030         | 5.1980%         | LIBOR+.76%                        |
| 2012/07I Series A | 21,000           | (2,885)           | 1,760                | 11/7/2008      | 1/1/2030         | 5.1420%         | LIBOR+.76%                        |
| 2012/07J Series A | 26,250           | (2,131)           | (466)                | 11/7/2008      | 1/1/2030         | 5.1020%         | LIBOR+.76%                        |
| 2012/07K Series A | 24,000           | (519)             | (4,030)              | 11/7/2008      | 1/1/2030         | 4.9320%         | LIBOR+.76%                        |
|                   | <b>\$570,480</b> | <b>(\$84,010)</b> | <b>\$31,838</b>      |                |                  |                 |                                   |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Idaho Housing and Finance Association - Investment Derivative Instruments

#### Interest Rate Swap Agreements at June 30, 2013

(dollars in thousands)

| Series            | Notional Amount | Fair Value       | Change in Fair Value | Inception Date | Termination Date | Terms           |                                   |
|-------------------|-----------------|------------------|----------------------|----------------|------------------|-----------------|-----------------------------------|
|                   |                 |                  |                      |                |                  | Fixed Rate Paid | Variable Rate Received            |
| 2000 Series F     |                 | (\$135)          | (\$135)              | 11/6/2008      | 1/1/2018         | 5.3000%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2000 Series G     | \$1,835         | (627)            | (79)                 | 11/6/2008      | 7/1/2021         | 5.2500%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series B     | 2,515           | (470)            | 78                   | 11/6/2008      | 7/1/2020         | 4.8660%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series D     |                 | (79)             | (79)                 | 11/6/2008      | 7/1/2022         | 4.7300%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2001 Series E     | 3,355           | (566)            | 184                  | 11/6/2008      | 7/1/2022         | 4.5300%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series A     |                 | (132)            | (132)                | 11/6/2008      | 1/1/2021         | 5.0200%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series B     | 600             | (359)            | (129)                | 11/6/2008      | 1/1/2021         | 4.9500%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series C     |                 | (87)             | (87)                 | 11/6/2008      | 1/1/2021         | 4.8900%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series D     |                 | (274)            | (274)                | 11/6/2008      | 7/1/2022         | 4.7100%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2002 Series G     | 1,490           | (243)            | 84                   | 11/6/2008      | 1/1/2024         | 4.1400%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2003 Series A     |                 | (72)             | (72)                 | 11/6/2008      | 1/1/2026         | 4.5190%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2003 Series B     | 2,024           | (179)            | 62                   | 11/6/2008      | 7/1/2024         | 4.0360%         | SIFMA+.20%                        |
| 2003 Series E     | 155             | (91)             | 33                   | 11/6/2008      | 7/1/2025         | 4.5300%         | SIFMA+.20%                        |
| 2004 Series B     | 555             | (118)            | 38                   | 11/7/2008      | 1/1/2027         | 4.3700%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2005 Series D     |                 | (55)             | 22                   | 11/7/2008      | 7/1/2028         | 3.8650%         | SIFMA+.20% (LIBOR<4.0%)/68% LIBOR |
| 2007 Series B     | 765             | (103)            | (103)                | 11/7/2008      | 1/1/2027         | 3.8950%         | SIFMA+.20% (LIBOR<3.5%)/68% LIBOR |
| 2008 Series D     | 1,330           | (169)            |                      | 10/2/2008      | 7/1/2026         | 3.3680%         | SIFMA+.10% (LIBOR<3.5%)/68% LIBOR |
| 2012/07D Series A |                 |                  | 129                  | 11/7/2008      | 1/1/2026         | 4.8930%         | LIBOR+.71%                        |
| 2012/07J Series A | 495             |                  |                      | 11/7/2008      | 1/1/2030         | 5.1020%         | LIBOR+.76%                        |
| 2012/07K Series A |                 |                  | (3)                  | 11/7/2008      | 1/1/2030         | 4.9320%         | LIBOR+.76%                        |
|                   | <b>\$15,119</b> | <b>(\$3,759)</b> | <b>(\$463)</b>       |                |                  |                 |                                   |

The Association was not exposed to credit risk on any outstanding swaps due to their negative fair values. The Association's counterparty has a current rating of A.

All but five of the Association's swaps have a dual basis: the SIFMA Index plus 20 (10 for the 2008D issue) basis points when the one-month LIBOR Index is less than either 3.5 percent or 4 percent (depending on the bond series) and 68 percent of the LIBOR Index when the LIBOR Index is 3.5 percent or greater. Four non-dual basis swaps have a basis of the SIFMA Index plus 20 basis points and one has a basis of the LIBOR Index plus 71 or 76 basis points (depending on the maturity date). The Association is exposed to basis risk on dual basis swaps when variable payments received are based on the LIBOR Index and do not offset the variable-rate paid on bonds, which is based on the SIFMA Index. On June 30, 2013, the SIFMA Index was 6 basis points and the one-month LIBOR Index was 19 basis points.

Rollover risk relates to a mismatch in the amortization of the swaps with the amortization of the variable-rate bonds. The Association has structured its debt such that not all variable debt is matched by interest rate swaps and calls certain variable-rate bonds independent of the expiration of the associated interest rate swap. This exposes the Association to the risk of incurring a higher interest expense than it might otherwise incur. Swap notional amounts no longer associated with variable-rate debt are reported as investment derivatives.

The Association or Barclays Capital may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates and the Association would be exposed to changing interest rates and incurring interest rate risk. The risk may be offset by identifying a suitable counterparty willing to enter into identical swap contracts at the termination date.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

The Association entered into 12 “To Be Announced” (TBA) forward contracts in order to lock in the sales price for the securitization of qualified first mortgage single-family loans. The Association periodically enters into forward contracts to sell Government National

Mortgage Association (GNMA) Mortgage Backed Securities to investors before the securities are ready for delivery. These contracts are considered investment derivatives and hedge the interest rate risk for loan commitments made to originating mortgage lenders:

#### Idaho Housing and Finance Association - Investment Derivative Instruments

##### TBA Forward Contracts at June 30, 2013

(dollars in thousands)

| Contract       | Notional<br>Amount | Fair Value     | Coupon<br>Rate | Counterparty<br>Credit Rating |
|----------------|--------------------|----------------|----------------|-------------------------------|
| July 2013      | \$10,000           | \$658          | 3.00%          | A2                            |
| July 2013      | 10,000             | 639            | 3.00%          | Baa                           |
| July 2013      | 10,000             | 620            | 3.00%          | A2                            |
| July 2013      | 5,000              | 151            | 3.00%          | A2                            |
| July 2013      | 10,000             | (25)           | 3.00%          | Baa                           |
| August 2013    | 10,000             | 533            | 3.00%          | A2                            |
| August 2013    | 10,000             | 511            | 3.00%          | A2                            |
| August 2013    | 10,000             | 255            | 3.00%          | Aaa                           |
| August 2013    | 10,000             | 245            | 3.00%          | A2                            |
| August 2013    | 3,000              | 46             | 3.50%          | Baa                           |
| September 2013 | 15,000             | 438            | 3.00%          | Baa                           |
| September 2013 | 10,000             | (158)          | 3.50%          | Aaa                           |
|                | <b>\$113,000</b>   | <b>\$3,913</b> |                |                               |

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### D. Restricted Assets

A portion of cash and investments are classified as restricted assets for governmental activities, business-type activities, and component units on the Statement of

Net Position. The breakout of purpose and amount are as follows:

**Primary Government and Component Units**  
**Restricted Assets at June 30, 2013**  
*(dollars in thousands)*

| Purpose                                                                  | Amount                  |
|--------------------------------------------------------------------------|-------------------------|
| <b><u>Governmental Activities:</u></b>                                   |                         |
| Restricted Cash:                                                         |                         |
| Bond Covenants                                                           | \$514                   |
| Debt Service                                                             | 47,495                  |
| Donations for Various Projects                                           | 8,424                   |
| Group Insurance Reserves                                                 | 25,677                  |
| Juvenile Corrections Social Security Benefits                            | 1,226                   |
| Legislation and Donations                                                | 5,339                   |
| Matching Fund Contributions                                              | 31,425                  |
| Petroleum Violation Escrow                                               | 4,183                   |
| Pollution Clean Up                                                       | 32,078                  |
| The Idaho State Bar Client Assistance Fund                               | 591                     |
| Restricted Investments:                                                  |                         |
| Debt Service                                                             | 3,899                   |
| Donations for Various Projects                                           | 5,010                   |
| Legal Settlements                                                        | 2,354                   |
| Legislation and Donations                                                | 184,125                 |
| <b>Total Governmental Activities</b>                                     | <b><u>\$352,340</u></b> |
| <b><u>Business-Type Activities:</u></b>                                  |                         |
| Restricted Cash:                                                         |                         |
| Bond Indentures                                                          | \$4,864                 |
| Debt Service                                                             | 553                     |
| Idaho Lottery Dividends Payout                                           | 48,416                  |
| Wastewater Facility Loan Program and Drinking Water Systems Loan Program | 57,830                  |
| Restricted Investments:                                                  |                         |
| Bond Indentures                                                          | 602                     |
| Wastewater Facility Loan Program and Drinking Water Systems Loan Program | 118,191                 |
| <b>Total Business-Type Activities</b>                                    | <b><u>\$230,456</u></b> |
| <b><u>Component Units:</u></b>                                           |                         |
| Restricted Cash:                                                         |                         |
| Donations for the College and University Foundations                     | \$17,823                |
| Bond Indentures and Escrow and Reserve Deposits                          | 86,293                  |
| Restricted Investments:                                                  |                         |
| Donations for the College and University Foundations                     | 224,057                 |
| <b>Total Component Units</b>                                             | <b><u>\$328,173</u></b> |

**NOTE 3. EXTERNAL INVESTMENT POOLS****A. Overview of the External Investment Pools**

The State Treasurer's Office (STO) manages two external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit moneys not needed to meet immediate operating obligations in these pools. The STO must operate and invest the funds of both pools for the benefit of the participants.

The LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to \$10.0 million. Withdrawals of \$10.0 million or more require three business days' notification. The weighted average maturity of investments in the LGIP at June 30, 2013, was 102 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool.

The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of \$10.0 million or less generally require five business days' notification prior to the last day of the month. Withdrawals of more than \$10.0 million require 25 business days' notification prior to the last day of the month. All withdrawals from the DBF occur on the last day of the month. The weighted average maturity of investments in the DBF at June 30, 2013, was 4.1 years. The DBF distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool.

The STO makes investments in accordance with Idaho Code Sections 67-1210 and 67-1210A. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and the DBF are reported as fiduciary-type investment trust funds. The Pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because only the external portion of investment pool assets is required to be reported in the investment trust funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2013. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase or decrease in fair value of each pool.

Internal participant funds generally receive the income from investments generated by their participation in the external investment pools, with the exception of the Unemployment Compensation enterprise fund. The investment income from that fund is assigned to the Miscellaneous Special Revenue fund per Idaho Code Section 72-1347A.

The LGIP and the DBF engaged in securities lending transactions during the year. A securities lending agent managed the securities lending program. For a portion of the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The securities were collateralized at no less than 102 percent of the fair value. The securities lending agreement required daily monitoring of the fair value of securities lent and collateral received. Additional collateral was obtained as necessary to meet margin requirements. As of December 2012, the STO no longer participated in securities lending transactions within the LGIP or DBF.

The Pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

*Interest rate risk* occurs when changes in interest rates adversely affect the fair value of investments. The Pools do not have a formally adopted policy to address interest rate risk.

*Concentration of credit risk* describes the heightened exposure to loss when a considerable number of investments exist in a single issuer. When 5 percent or more of the pool's total investments are concentrated in any one issuer, the pools have adopted the principle of disclosing the amount and percentage invested. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Pools do not have a formally adopted policy to address the amount that may be invested with any one issuer.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

*Credit risk associated with investments* is the risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill its obligation. Obligations explicitly

guaranteed by the U.S. government are not considered to have credit risk. The Pools do not have a formally adopted policy to address credit risk associated with investments.

#### B. Local Government Investment Pool

**Local Government Investment Pool**  
**Condensed Statement of Net Position**  
**June 30, 2013**  
*(dollars in thousands)*

|                                                                                                                        |                           |
|------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <b>Assets</b>                                                                                                          |                           |
| Investments, at Fair Value                                                                                             | \$1,449,863               |
| Interest Receivable to the Pool                                                                                        | 2,607                     |
| <b>Total Assets</b>                                                                                                    | <u>1,452,470</u>          |
| <b>Liabilities</b>                                                                                                     |                           |
| Distributions Payable                                                                                                  | 181                       |
| Administrative Fees Payable                                                                                            | 35                        |
| <b>Total Liabilities</b>                                                                                               | <u>216</u>                |
| <b>Net Position Held in Trust for Pool Participants</b>                                                                | <u><b>\$1,452,254</b></u> |
| <b>Net Position Consists of:</b>                                                                                       |                           |
| Net Position Held in Trust for External Participants (\$1.00 par)                                                      | \$1,391,333               |
| Net Position Held in Trust for Internal Participants (\$1.00 par)                                                      | 60,921                    |
| <b>Net Position Held in Trust for Pool Participants</b>                                                                | <u><b>\$1,452,254</b></u> |
| <b>Total Participant Units Outstanding (\$1.00 par)</b>                                                                | 1,444,122                 |
| Participant Net Position Value, Offering Price and Redemption Price Per Share (\$1,452,254 divided by 1,444,122 units) | <u><b>\$1.01</b></u>      |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Local Government Investment Pool

#### Condensed Statement of Operations and Changes in Net Position

#### For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                                     |                    |
|---------------------------------------------------------------------|--------------------|
| <b>Investment Income</b>                                            |                    |
| Interest Income                                                     | \$18,456           |
| Securities Lending Income                                           | 596                |
| Change in Fair Value of Investments                                 | (15,555)           |
| <b>Total Investment Income</b>                                      | <b>3,497</b>       |
| <b>Expense</b>                                                      |                    |
| Administrative Fees                                                 | (426)              |
| Securities Lending Agent Fees                                       | (21)               |
| Securities Lending Borrower Rebates                                 | (457)              |
| <b>Total Investment Expense</b>                                     | <b>(904)</b>       |
| <b>Net Investment Income</b>                                        | <b>2,593</b>       |
| <b>Distributions to Participants</b>                                |                    |
| Distributions Paid and Payable                                      | (2,837)            |
| <b>Share Transactions at Net Position Value of \$1.00 per Share</b> |                    |
| Pooled Participant Deposits                                         | \$3,364,977        |
| Pooled Participant Withdrawals                                      | (3,323,142)        |
| Change in Net Position and Shares Resulting From                    |                    |
| Share Transactions                                                  | 41,835             |
| Total Change in Net Position                                        | 41,591             |
| <b>Net Position Held in Trust for Pool Participants</b>             |                    |
| Beginning of Period                                                 | 1,410,663          |
| <b>End of Period</b>                                                | <b>\$1,452,254</b> |

### Local Government Investment Pool

#### Summary of Fair Value and Interest Rate Risk at June 30, 2013

(dollars in thousands)

| Investment Type               | Investment Maturities   |                  | Fair Value         | Interest Rates |
|-------------------------------|-------------------------|------------------|--------------------|----------------|
|                               | In Years<br>Less than 1 | 1-5              |                    |                |
| Money Market Mutual Funds     | \$78,000                |                  | \$78,000           | 0.010%-0.180%  |
| Repurchase Agreements         | 276,350                 |                  | 276,350            | 0.020%-0.090%  |
| Commercial Paper              | 73,953                  |                  | 73,953             | 0.080%-0.500%  |
| Corporate Debt Instruments    | 72,549                  | \$30,432         | 102,981            | 0.193%-6.875%  |
| U.S. Gov't Agency Obligations | 771,587                 | 123,984          | 895,571            | 0.120%-4.875%  |
| U.S. Treasury Obligations     | 23,008                  |                  | 23,008             | 1.000%         |
| <b>Total Securities</b>       | <b>1,295,447</b>        | <b>154,416</b>   | <b>1,449,863</b>   |                |
| Accrued Interest              | 2,607                   |                  | 2,607              |                |
| <b>Total Assets</b>           | <b>\$1,298,054</b>      | <b>\$154,416</b> | <b>\$1,452,470</b> |                |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Local Government Investment Pool

#### Change in Fair Value

(dollars in thousands)

|                                                          |                        |
|----------------------------------------------------------|------------------------|
| Fair Value of Investments at June 30, 2013               | \$1,449,863            |
| Proceeds of Investments Sold in FY2013                   | 55,712,582             |
| Cost of Investments Purchased in FY2013                  | (55,767,184)           |
| Fair Value of Investments at June 30, 2012               | (1,410,816)            |
| <b>Change in Fair Value of Investments During FY2013</b> | <b><u>(15,555)</u></b> |

### Local Government Investment Pool

#### Credit Quality Ratings of Debt Securities at June 30, 2013

(dollars in thousands)

| Investment Type               | Aaa             | Aa               | A               | P-1              | Unrated          | Fair Value         |
|-------------------------------|-----------------|------------------|-----------------|------------------|------------------|--------------------|
| Money Market Mutual Funds     | \$3,000         |                  |                 |                  | \$75,000         | \$78,000           |
| Repurchase Agreements         |                 |                  |                 |                  | 276,350          | 276,350            |
| Commercial Paper              |                 |                  |                 | \$73,953         |                  | 73,953             |
| Corporate Debt Instruments    | 22,710          | \$30,676         | \$49,595        |                  |                  | 102,981            |
| U.S. Gov't Agency Obligations |                 | 790,596          |                 | 49,996           | 54,979           | 895,571            |
| <b>Total Investments</b>      | <b>\$25,710</b> | <b>\$821,272</b> | <b>\$49,595</b> | <b>\$123,949</b> | <b>\$406,329</b> | <b>\$1,426,855</b> |

Moody's or equivalent credit quality ratings have been used.

### Local Government Investment Pool

#### Concentration of Credit Risk at June 30, 2013

(dollars in thousands)

| Issuer                                 | Fair Value | Percent of Total LGIP Investments |
|----------------------------------------|------------|-----------------------------------|
| Daiwa Capital Markets America, Inc.    | \$150,000  | 10.35                             |
| Federal Farm Credit Bank               | 152,200    | 10.50                             |
| Federal National Mortgage Association  | 157,833    | 10.89                             |
| Federal Home Loan Bank                 | 339,372    | 23.41                             |
| Federal Home Loan Mortgage Corporation | 177,016    | 12.21                             |
| UBS                                    | 126,350    | 8.71                              |
| Zions Bank                             | 75,000     | 5.17                              |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### C. Diversified Bond Fund

#### Diversified Bond Fund

##### Condensed Statement of Net Position

##### June 30, 2013

(dollars in thousands)

|                                                                   |                         |
|-------------------------------------------------------------------|-------------------------|
| <b>Assets</b>                                                     |                         |
| Investments, at Fair Value                                        | \$592,483               |
| Interest Receivable to the Pool                                   | 2,454                   |
| <b>Total Assets</b>                                               | <u>594,937</u>          |
| <b>Liabilities</b>                                                |                         |
| Distributions Payable                                             | 965                     |
| Administrative Fees Payable                                       | 15                      |
| <b>Total Liabilities</b>                                          | <u>980</u>              |
| <b>Net Position Held in Trust for Pool Participants</b>           | <u><b>\$593,957</b></u> |
| <b>Net Position Consists of:</b>                                  |                         |
| Net Position Held in Trust for External Participants (\$1.00 par) | \$163,013               |
| Net Position Held in Trust for Internal Participants (\$1.00 par) | 430,944                 |
| <b>Net Position Held in Trust for Pool Participants</b>           | <u><b>\$593,957</b></u> |
| <b>Total Participant Units Outstanding (\$1.00 par)</b>           | 564,561                 |
| Participant Net Position Value, Offering Price and Redemption     |                         |
| Price Per Share (\$593,957 divided by 564,561 units)              | <u><b>\$1.05</b></u>    |

#### Diversified Bond Fund

##### Condensed Statement of Operations and Changes in Net Position

##### For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                                     |                         |
|---------------------------------------------------------------------|-------------------------|
| <b>Investment Income</b>                                            |                         |
| Interest Income                                                     | \$16,578                |
| Securities Lending Income                                           | 207                     |
| Change in Fair Value of Investments                                 | (17,738)                |
| <b>Total Investment Income</b>                                      | <u>(953)</u>            |
| <b>Expense</b>                                                      |                         |
| Administrative Fees                                                 | (1,096)                 |
| Securities Lending Agent Fees                                       | (9)                     |
| Securities Lending Borrower Rebates                                 | (149)                   |
| <b>Total Investment Expense</b>                                     | <u>(1,254)</u>          |
| <b>Net Investment Income</b>                                        | (2,207)                 |
| <b>Distributions to Participants</b>                                |                         |
| Distributions Paid and Payable                                      | (10,970)                |
| <b>Share Transactions at Net Position Value of \$1.00 per Share</b> |                         |
| Pooled Participant Deposits                                         | \$81,117                |
| Pooled Participant Withdrawals                                      | <u>(46,728)</u>         |
| Change in Net Position and Shares Resulting From                    |                         |
| Share Transactions                                                  | 34,389                  |
| Total Change in Net Position                                        | <u>21,212</u>           |
| <b>Net Position Held in Trust for Pool Participants</b>             |                         |
| Beginning of Period                                                 | 572,745                 |
| <b>End of Period</b>                                                | <u><b>\$593,957</b></u> |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Diversified Bond Fund

#### Summary of Fair Value and Interest Rate Risk at June 30, 2013

(dollars in thousands)

| Investment Type                                    | Investment Maturities |                  |                 | Fair Value       | Interest Rates |
|----------------------------------------------------|-----------------------|------------------|-----------------|------------------|----------------|
|                                                    | Less than 1           | In Years<br>1-5  | 6-10            |                  |                |
| Money Market Mutual Funds                          | \$4,196               |                  |                 | \$4,196          | 0.010%         |
| Corporate Debt Instruments                         | 9,061                 | \$57,112         | \$32,613        | 98,786           | 0.427%-5.900%  |
| Mortgage-Backed Securities*                        | 1,636                 | 4,932            | 4,178           | 10,746           | 2.822%-5.928%  |
| U.S. Gov't Agency Obligations                      | 19,075                | 55,125           |                 | 74,200           | 0.375%-4.500%  |
| U.S. Gov't Agency Mortgage-Backed Securities*      |                       | 221,630          | 4,778           | 226,408          | 2.000%-6.500%  |
| U.S. Gov't Corporation Mortgage-Backed Securities* |                       | 30,128           | 15,305          | 45,433           | 2.000%-6.500%  |
| U.S. Treasury Obligations                          | 26,068                | 94,529           | 12,117          | 132,714          | 0.250%-3.250%  |
| <b>Total Securities</b>                            | <b>60,036</b>         | <b>463,456</b>   | <b>68,991</b>   | <b>592,483</b>   |                |
| Accrued Interest                                   | 2,454                 |                  |                 | 2,454            |                |
| <b>Total Assets</b>                                | <b>\$62,490</b>       | <b>\$463,456</b> | <b>\$68,991</b> | <b>\$594,937</b> |                |

\*These securities are reported using weighted-average maturity to more accurately reflect the projected terms of the securities, considering interest rates and repayment terms.

### Diversified Bond Fund

#### Change in Fair Value

(dollars in thousands)

|                                                          |                          |
|----------------------------------------------------------|--------------------------|
| Fair Value of Investments at June 30, 2013               | \$592,483                |
| Proceeds of Investments Sold in FY2013                   | 262,213                  |
| Cost of Investments Purchased in FY2013                  | (301,123)                |
| Fair Value of Investments at June 30, 2012               | (571,311)                |
| <b>Change in Fair Value of Investments During FY2013</b> | <b><u>(\$17,738)</u></b> |

### Diversified Bond Fund

#### Concentration of Credit Risk at June 30, 2013

(dollars in thousands)

| Issuer                                 | Fair Value | Percent of Total DBF Investments |
|----------------------------------------|------------|----------------------------------|
| Federal Home Loan Mortgage Corporation | \$100,943  | 17.04                            |
| Federal National Mortgage Association  | 194,791    | 32.88                            |

### Diversified Bond Fund

#### Credit Quality Ratings of Debt Securities at June 30, 2013

(dollars in thousands)

| Investment Type                              | Aaa             | Aa               | A               | Baa            | Fair Value       |
|----------------------------------------------|-----------------|------------------|-----------------|----------------|------------------|
| Money Market Mutual Funds                    | \$4,196         |                  |                 |                | \$4,196          |
| Corporate Debt Instruments                   | 12,325          | \$20,100         | \$58,194        | \$8,167        | 98,786           |
| Mortgage-Backed Securities                   | 10,746          |                  |                 |                | 10,746           |
| U.S. Gov't Agency Obligations                |                 | 74,200           |                 |                | 74,200           |
| U.S. Gov't Agency Mortgage-Backed Securities |                 | 226,408          |                 |                | 226,408          |
| <b>Total Investments</b>                     | <b>\$27,267</b> | <b>\$320,708</b> | <b>\$58,194</b> | <b>\$8,167</b> | <b>\$414,336</b> |

Moody's or the equivalent credit quality ratings have been used.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### NOTE 4. INTRAENTITY TRANSACTIONS

##### A. Interfund Balances

Interfund balances consist of the following receivables and payables (*dollars in thousands*):

|                       |                        | Interfund Payables |                |              |                |                |                |            |                |                 |
|-----------------------|------------------------|--------------------|----------------|--------------|----------------|----------------|----------------|------------|----------------|-----------------|
|                       |                        | General            | Health         | Trans-       | Nonmajor       | College        | Nonmajor       | Internal   | Pension        | Total           |
|                       |                        | Fund               | and Welfare    | portation    | Govern- mental | and University | Enterprise     | Service    | Trust          |                 |
| Interfund Receivables | General Fund           |                    | \$124          |              | \$179          | \$4,870        | \$5,610        | \$5        |                | \$10,788        |
|                       | Health and Welfare     |                    |                |              | 10             |                |                |            |                | 10              |
|                       | Nonmajor Governmental  | \$6                | 163            | \$185        | 104            |                | 259            |            |                | 717             |
|                       | College and University | 1,674              | 775            | 19           | 1,376          |                |                |            |                | 3,844           |
|                       | Nonmajor Enterprise    |                    |                | 61           |                |                |                |            |                | 61              |
|                       | Internal Service       | 203                | 313            | 80           | 93             | 22             |                |            |                | 711             |
|                       | Pension Trust          |                    |                |              |                |                |                |            | \$1,675        | 1,675           |
|                       | <b>Total</b>           | <b>\$1,883</b>     | <b>\$1,375</b> | <b>\$345</b> | <b>\$1,762</b> | <b>\$4,892</b> | <b>\$5,869</b> | <b>\$5</b> | <b>\$1,675</b> | <b>\$17,806</b> |

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another and for certain statutorily required transfers due at year-end. Most balances result from the time lag between the dates that:

- 1) Interfund goods and services are provided or reimbursable expenditures occur.
- 2) Transactions are recorded in the accounting system.
- 3) Payments between funds are made.

##### B. Interfund Transfers

Interfund transfers for the fiscal year were as follows (*dollars in thousands*):

|               |                           | Transfers In |                    |                         |                        |         |                  |             |
|---------------|---------------------------|--------------|--------------------|-------------------------|------------------------|---------|------------------|-------------|
|               |                           | General Fund | Health and Welfare | Nonmajor Govern- mental | College and University | Loan    | Internal Service | Total       |
| Transfers Out | General Fund              |              | \$606,099          | \$14,278                | \$260,088              |         | \$2,739          | \$883,204   |
|               | Health and Welfare        | \$39,417     |                    | 165                     |                        |         |                  | 39,582      |
|               | Transportation            | 25           |                    | 15,800                  |                        |         |                  | 15,825      |
|               | Land Endowments           | 37,581       |                    |                         | 9,928                  |         |                  | 47,509      |
|               | Nonmajor Governmental     | 65,156       | 1,773              | 59                      | 100                    | \$3,198 | 21               | 70,307      |
|               | College and University    | 572          |                    |                         |                        |         |                  | 572         |
|               | Unemployment Compensation | 351          |                    | 6,911                   |                        |         |                  | 7,262       |
|               | Loan                      | 1,232        |                    | 222                     |                        |         |                  | 1,454       |
|               | Nonmajor Enterprise       | 64,410       | 2,730              | 1,379                   |                        |         |                  | 68,519      |
|               | Internal Service          | 425          |                    |                         |                        |         |                  | 425         |
| Total         |                           | \$209,169    | \$610,602          | \$38,814                | \$270,116              | \$3,198 | \$2,760          | \$1,134,659 |

Interfund transfers are primarily performed for two reasons:

- 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law.

- 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that has budgetary authorization to spend them.

During fiscal year 2013 an \$85.4 million nonroutine transfer was made from the General Fund to the Budget

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

Stabilization Fund to set aside money for future year budget shortfalls.

During fiscal year 2013, a \$37.6 million nonroutine transfer was made from the Health and Welfare fund to the General Fund as a reversion of unspent appropriations.

#### C. Significant Transactions with Related Parties

During fiscal year 2013 the primary government had the following transactions with the Idaho Housing and Finance Association:

- The Transportation fund has notes payable in the amount of \$550.7 million to the Association for bonds issued on their behalf for transportation infrastructure projects.
- The Unemployment Compensation fund has notes payable to the Association in the amount of \$144.1 million for bonds issued in 2011 on their behalf to repay loans from the federal government related to Unemployment Insurance Trust fund shortfalls.
- The Housing Company, a component unit of the Association, owes the Association \$9.9 million for notes payable secured by real property.

Boise State University leases a building from the BSU Foundation (BSUF); the remaining lease payments total \$1.7 million. At the expiration of the lease, the BSUF will either donate the building or continue to lease the building for \$1 per year. During fiscal year 2013 the BSUF transferred a building with a value of \$9.6 million to BSU for no additional consideration.

During fiscal year 2013 the University of Idaho formally transferred to the University of Idaho Foundation endowment assets used for investment purposes. The value at transfer was \$81.0 million and is reported as a Special Item.

During fiscal year 2013 the college and university foundations distributed \$60.2 million to the respective colleges and universities for support of academic and athletic programs.

The State purchased workers compensation insurance coverage from the State Insurance Fund, a related party, in the amount of \$9.5 million during the fiscal year.

#### NOTE 5. NONCURRENT RECEIVABLES

The Accounts Receivable, Taxes Receivable, Due from Other Entities, Due from Primary Government, and Loans, Notes, and Pledges Receivable line items on the government-wide Statement of Net Position contain aggregated current and noncurrent receivable balances

net of allowances for doubtful accounts. The following tables disaggregate the noncurrent receivables balances for the primary government and component units.

Noncurrent interfund receivables are discussed in Note 4.

| Noncurrent Receivables - Primary Government<br>(dollars in thousands) |                         |                |                       |                          |           |
|-----------------------------------------------------------------------|-------------------------|----------------|-----------------------|--------------------------|-----------|
|                                                                       | Governmental Activities |                |                       | Business-Type Activities |           |
|                                                                       | General Fund            | Transportation | Nonmajor Governmental | College and University   | Loan      |
| Accounts Receivable                                                   | \$82                    |                | \$4,386               |                          |           |
| Taxes Receivable                                                      | 53,261                  | \$94           | 66                    |                          |           |
| Due from Other Entities                                               |                         |                | 135                   |                          |           |
| Loans and Notes Receivable                                            | 803                     | 344            | 3,740                 | \$22,968                 | \$264,438 |
| Total Noncurrent Receivables                                          | 54,146                  | 438            | 8,327                 | 22,968                   | 264,438   |
| Less: Allowance for Doubtful Accounts                                 |                         |                |                       |                          |           |
| Accounts Receivable                                                   | (52)                    |                | (2,405)               |                          |           |
| Taxes Receivable                                                      | (533)                   | (1)            | (1)                   |                          |           |
| Loans and Notes Receivable                                            |                         |                |                       | (2,673)                  |           |
| Total Noncurrent Receivables, Net                                     | \$53,561                | \$437          | \$5,921               | \$20,295                 | \$264,438 |

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

### Noncurrent Receivables - Component Units

(dollars in thousands)

|                                       | Idaho Housing<br>and Finance<br>Association | College and<br>University<br>Foundation | Idaho<br>Bond Bank<br>Authority |
|---------------------------------------|---------------------------------------------|-----------------------------------------|---------------------------------|
| Due from Primary Government           | \$658,878                                   |                                         |                                 |
| Pledges Receivable                    |                                             | \$11,586                                |                                 |
| Loans and Notes Receivable            | 802,736                                     | 388                                     | \$351,101                       |
| Total Noncurrent Receivables          | 1,461,614                                   | 11,975                                  | 351,101                         |
| Less: Allowance for Doubtful Accounts | (9,783)                                     | (1,591)                                 |                                 |
| Total Noncurrent Receivables, Net     | \$1,451,831                                 | \$10,383                                | \$351,101                       |

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows (dollars in thousands):

| Primary Government                                 | Balances at<br>July 1, 2012 |                  |                    | Balances at        |
|----------------------------------------------------|-----------------------------|------------------|--------------------|--------------------|
| Governmental Activities:                           | As Restated*                | Increases        | Decreases          | June 30, 2013      |
| <b>Capital Assets not Being Depreciated:</b>       |                             |                  |                    |                    |
| Land and Land Use Rights                           | \$1,043,424                 | \$22,101         | (\$8,456)          | \$1,057,069        |
| Capital Assets in Progress                         | 842,363                     | 221,385          | (120,544)          | 943,204            |
| Infrastructure                                     | 2,480,733                   | 79,801           | (6,970)            | 2,553,564          |
| Historical Art and Collections                     | 122                         |                  |                    | 122                |
| <b>Total Capital Assets not Being Depreciated</b>  | <b>4,366,642</b>            | <b>323,287</b>   | <b>(135,970)</b>   | <b>4,553,959</b>   |
| <b>Capital Assets Being Depreciated:</b>           |                             |                  |                    |                    |
| Buildings and Improvements                         | 930,614                     | 8,817            | (11,667)           | 927,764            |
| Improvements Other Than Buildings                  | 97,124                      | 7,057            | (322)              | 103,859            |
| Machinery, Equipment, and Other                    | 540,518                     | 67,239           | (28,675)           | 579,082            |
| Infrastructure                                     | 910,024                     | 634              |                    | 910,658            |
| <b>Total Capital Assets Being Depreciated</b>      | <b>2,478,280</b>            | <b>83,747</b>    | <b>(40,664)</b>    | <b>2,521,363</b>   |
| <b>Less Accumulated Depreciation for:</b>          |                             |                  |                    |                    |
| Buildings and Improvements                         | (320,931)                   | (21,415)         | 4,113              | (338,233)          |
| Improvements Other Than Buildings                  | (32,810)                    | (4,881)          | 442                | (37,249)           |
| Machinery, Equipment, and Other                    | (286,825)                   | (51,338)         | 16,608             | (321,555)          |
| Infrastructure                                     | (206,711)                   | (12,191)         |                    | (218,902)          |
| <b>Total Accumulated Depreciation</b>              | <b>(847,277)</b>            | <b>(89,825)</b>  | <b>21,163</b>      | <b>(915,939)</b>   |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>1,631,003</b>            | <b>(6,078)</b>   | <b>(19,501)</b>    | <b>1,605,424</b>   |
| <b>Governmental Activities Capital Assets, Net</b> | <b>\$5,997,645</b>          | <b>\$317,209</b> | <b>(\$155,471)</b> | <b>\$6,159,383</b> |

\* Beginning balances were adjusted due to prior period adjustments.

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

Depreciation expense was charged to functions of governmental activities as follows (*dollars in thousands*):

**Governmental Activities:**

|                                                                                                                                                               |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| General Government                                                                                                                                            | \$12,077 |
| Public Safety and Correction                                                                                                                                  | 9,071    |
| Health and Human Services                                                                                                                                     | 23,614   |
| Education                                                                                                                                                     | 3,464    |
| Economic Development                                                                                                                                          | 28,409   |
| Natural Resources                                                                                                                                             | 11,226   |
| In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets | 1,964    |

**Total Accumulated Depreciation Increase for Governmental Activities** \$89,825

| <b>Business-Type Activities:</b>                    | <b>Balances at<br/>July 1, 2012<br/>as Restated*</b> | <b>Increases</b>        | <b>Decreases</b>         | <b>Balances at<br/>June 30, 2013</b> |
|-----------------------------------------------------|------------------------------------------------------|-------------------------|--------------------------|--------------------------------------|
| <b>Capital Assets not Being Depreciated:</b>        |                                                      |                         |                          |                                      |
| Land and Land Use Rights                            | \$105,640                                            | \$17,941                |                          | \$123,581                            |
| Capital Assets in Progress                          | 82,512                                               | 50,275                  | (\$93,637)               | 39,150                               |
| Historical Art and Collections                      | 2,274                                                | 48                      |                          | 2,322                                |
| <b>Total Capital Assets not Being Depreciated</b>   | <u>190,426</u>                                       | <u>68,264</u>           | <u>(93,637)</u>          | <u>165,053</u>                       |
| <b>Capital Assets Being Depreciated:</b>            |                                                      |                         |                          |                                      |
| Buildings and Improvements                          | 1,274,361                                            | 102,663                 | (2,159)                  | 1,374,865                            |
| Improvements Other Than Buildings                   | 65,588                                               | 2,203                   | (8)                      | 67,783                               |
| Machinery, Equipment, and Other                     | 395,924                                              | 30,616                  | (7,826)                  | 418,714                              |
| <b>Total Capital Assets Being Depreciated</b>       | <u>1,735,873</u>                                     | <u>135,482</u>          | <u>(9,993)</u>           | <u>1,861,362</u>                     |
| <b>Less Accumulated Depreciation for:</b>           |                                                      |                         |                          |                                      |
| Buildings and Improvements                          | (440,111)                                            | (34,676)                | 1,335                    | (473,452)                            |
| Improvements Other Than Buildings                   | (33,526)                                             | (3,143)                 | 8                        | (36,661)                             |
| Machinery, Equipment, and Other                     | (295,663)                                            | (26,862)                | 7,029                    | (315,496)                            |
| <b>Total Accumulated Depreciation</b>               | <u>(769,300)</u>                                     | <u>(64,681)</u>         | <u>8,372</u>             | <u>(825,609)</u>                     |
| <b>Total Capital Assets Being Depreciated, Net</b>  | <u>966,573</u>                                       | <u>70,801</u>           | <u>(1,621)</u>           | <u>1,035,753</u>                     |
| <b>Business-Type Activities Capital Assets, Net</b> | <u><u>\$1,156,999</u></u>                            | <u><u>\$139,065</u></u> | <u><u>(\$95,258)</u></u> | <u><u>\$1,200,806</u></u>            |

\* Beginning balances were adjusted due to prior period adjustments.

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

| Component Units:                                     | Balances at<br>July 1, 2012 | Increases        | Decreases     | Balances at<br>July 1, 2013 |
|------------------------------------------------------|-----------------------------|------------------|---------------|-----------------------------|
| <b>Capital Assets not Being Depreciated:</b>         |                             |                  |               |                             |
| Land                                                 | \$5,442                     | \$927            |               | \$6,369                     |
| <b>Total Capital Assets not Being Depreciated</b>    | <b>5,442</b>                | <b>927</b>       | <b>0</b>      | <b>6,369</b>                |
| <b>Capital Assets Being Depreciated:</b>             |                             |                  |               |                             |
| Buildings and Improvements                           | 67,924                      | 435              | (\$227)       | 68,132                      |
| Improvements Other Than Buildings                    | 243                         | 20               |               | 263                         |
| Machinery, Equipment, and Other                      | 6,707                       | 497              | (49)          | 7,155                       |
| <b>Total Capital Assets Being Depreciated</b>        | <b>74,874</b>               | <b>952</b>       | <b>(276)</b>  | <b>75,550</b>               |
| <b>Less Accumulated Depreciation for:</b>            |                             |                  |               |                             |
| Buildings and Improvements                           | (31,493)                    | (2,578)          | 145           | (33,926)                    |
| Improvements Other Than Buildings                    | (215)                       | (5)              |               | (220)                       |
| Machinery, Equipment, and Other                      | (5,384)                     | (496)            | 49            | (5,831)                     |
| <b>Total Accumulated Depreciation</b>                | <b>(37,092)</b>             | <b>(3,079)</b>   | <b>194</b>    | <b>(39,977)</b>             |
| <b>Total Capital Assets Being Depreciated, Net</b>   | <b>37,782</b>               | <b>(2,127)</b>   | <b>(82)</b>   | <b>35,573</b>               |
| <b>Component Unit Activities Capital Assets, Net</b> | <b>\$43,224</b>             | <b>(\$1,200)</b> | <b>(\$82)</b> | <b>\$41,942</b>             |

## NOTE 7. RETIREMENT PLANS

### A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the PERSI Base Plan, the Firefighters' Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages the PERSI, which includes selecting the funding agents, establishing funding policy, and setting contribution rates. The PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the Public Employee Retirement System of Idaho website: [http://www.persi.idaho.gov/investment/annual\\_financial\\_report.cfm](http://www.persi.idaho.gov/investment/annual_financial_report.cfm).

#### Summary of Significant Accounting Policies

The PERSI basic financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions to net position when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic

resources measurement focus.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of longer-term real estate investments has been estimated based on the PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value. Investments of the PERSI Base Plan and FRF are pooled for investment purposes.

### 1. PERSI Base Plan

#### Plan Description

##### Organization and Purpose

The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. The Base Plan is governed by Idaho Code Title 59 Chapter 13.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for 5 or more consecutive months. The number of participating employer units is 755.

#### Benefits

The benefit structure is based on each member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death, and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year on the condition the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

#### Funding Policy

##### Contributions and Vesting

Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code Section 59-1322 is 25 years.

The last actuarial valuation was performed as of July 1, 2013. Normal cost is 13.9 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.99 percent of covered payroll.

The contribution rates for the year were as follows:

| Employee Group  | Employer | Employee |
|-----------------|----------|----------|
| General         | 10.39%   | 6.23%    |
| Police and Fire | 10.73%   | 7.69%    |

Employer contributions required and paid were \$69.5 million, \$69.9 million, and \$71.9 million for the fiscal years ended June 30, 2011, 2012, and 2013, respectively.

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment, accumulated member contributions plus interest are refundable. The interest was compounded monthly per annum and accrued at 18.16 percent from July 1, 2012, through December 31, 2012, and at 1.04 percent from January 1, 2013, through June 30, 2013. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Although enrollees in the College and University Optional Retirement Plan no longer belong to the PERSI, the colleges and universities are required to contribute to the PERSI Base Plan through July 1, 2025. The contribution rate for the year was 1.49 percent for colleges and universities.

#### Funding

Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are a percentage of member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the PERSI Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

---

**2. Firefighters' Retirement Fund****Plan Description**

The FRF is a cost-sharing multiple-employer defined benefit retirement plan. The FRF is governed by Idaho Code Title 72 Chapter 14. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. Twenty-two employer units, all consisting of local fire departments, participated in the FRF. The significant accounting policies are the same as detailed for the PERSI. Complete FRF disclosures may be found in the PERSI financial statements.

**3. Defined Contribution Retirement Plans****Plan Description***Organization and Purpose*

The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by Idaho Code Title 59 Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan and is subject to board approval.

*Membership*

The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain-sharing contributions, received an allocation. The plans have 755 employer units eligible to have participating employees.

**Summary of Significant Accounting Policies**

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as for the PERSI.

**Funding Policy***Contributions*

Beginning in January 2002, employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary, less deductions, and subject to the IRS annual contribution limit. Participants direct their investment mix with limited restrictions and may elect to change their salary deferrals. On May 1, 2001, the

401(k) plan became open to voluntary employer matching contributions at rates determined by the employers. Employers and participants in the plans contributed \$9.1 million and \$36.3 million, respectively, during the fiscal year.

**B. Other State-Sponsored Retirement Plans****1. Judges' Retirement Fund****Plan Description***Organization and Purpose*

The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, district court judges, and eligible administrative directors, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by Idaho Code Sections 68-501 through 68-514; and Idaho Code Title 1 Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

*Membership and Vesting*

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- Attainment of age 65 and a minimum of 4 years of service
- Attainment of age 60 and a minimum of 10 years of service
- Attainment of age 55 and a minimum of 15 years of service
- After 20 years of service

The JRF has 85 retired members or beneficiaries collecting benefits, 3 terminated members entitled to, but not yet receiving benefits, and 51 active members.

*Benefits*

The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death, and to survivors of

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013**

---

eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to, but not on July 1, 2000, are paid under Option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon current annual compensation of the highest office in which the member served, with benefits for Option A accumulating as follows:

For the first 10 years of service benefits are credited at 5 percent per year of the member's compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of the member's compensation.

In addition to the above benefits, Option B includes:

Benefits credited at 12.5 percent per year for senior judges with five years of service.

The maximum benefit is 75 percent of compensation. After four years of credited service, any member retiring by reason of disability will be entitled to benefits calculated using Option A. Upon the death of retired or sitting members, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

**Summary of Significant Accounting Policies**

The JRF's financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Member and Department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. Fair value is defined as the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Due to the nature of investments, it is reasonable that changes in the value of investments will occur in the near future, and such changes could materially affect the amounts reported.

**Funding Policy**

**Contributions**

The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

Members and the Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of member compensation as defined by state law. The JRF policy provides for Department and member contributions at 8.97 percent and 7.69 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$5.9 million for the fiscal year. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed annually using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7 percent investment rate of return, projected annual salary increases of 2.5 percent, an inflation rate of 2.5 percent, and annual postemployment benefit increases of 2.5 percent. Assets are presented at market value. Based on the most recent actuarial valuation as of July 1, 2013, the annual required contribution is \$2.9 million. Total Department and member contributions to the pension plan for the fiscal year amounted to \$3.1 million, of which \$2.1 million was received from filing fees, \$0.5 million from the Department, and \$0.5 million from the members. Net pension obligation increased from \$13.6 million in 2012 to \$14.0 million in 2013 due to the annual pension cost exceeding the employer's contributions. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the change in the actuarial value of plan assets.

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013**

The funding progress for the fiscal year is as follows (*dollars in thousands*):

|                          | (1)                       | (2)                                         | (3)                           | (4)                     | (5)                    | (6)                                               |
|--------------------------|---------------------------|---------------------------------------------|-------------------------------|-------------------------|------------------------|---------------------------------------------------|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) (2) - (1) | Funded Ratios (1) : (2) | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll (3) : (5) |
| 7/1/13                   | \$66,719                  | \$80,390                                    | \$13,671                      | 83%                     | \$5,868                | 233%                                              |

The State's annual pension cost and net pension obligation to the JRF for the current year and two preceding years are as follows:

**Idaho Judges' Retirement Fund**  
**Annual Pension Cost and Net Pension Obligation**  
(*dollars in thousands*)

|                                          | 2011            | 2012            | 2013            |
|------------------------------------------|-----------------|-----------------|-----------------|
| Annual Required Contribution (ARC)       | \$3,286         | \$2,979         | \$2,939         |
| Interest on Net Pension Obligation (NPO) | 836             | 938             | 1,020           |
| Adjustment to ARC                        | (726)           | (856)           | (930)           |
| Annual Pension Cost (APC)                | 3,396           | 3,061           | 3,029           |
| Contributions Made                       | (2,028)         | (1,973)         | (2,636)         |
| Increase in NPO                          | 1,368           | 1,088           | 393             |
| Prior Year NPO                           | 11,140          | 12,508          | 13,596          |
| <b>Current Year NPO</b>                  | <b>\$12,508</b> | <b>\$13,596</b> | <b>\$13,989</b> |
| Percentage of APC Contributed            | 59.7%           | 64.5%           | 87.0%           |

## 2. College and University Optional Retirement Plan

### Plan Description

#### Organization and Purpose

Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by Idaho Code Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

#### Membership

Faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

### Funding Policy

#### Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer

contributions are determined by the State. The contribution requirement and amount paid for the fiscal year was \$42.1 million, which consisted of \$24.1 million from the colleges and universities and \$18.0 million from employees.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age.

## 3. Department of Labor Retirement Plan

### Plan Description

#### Organization and Purpose

This stand-alone insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The Plan is governed by Idaho Code Section 72-1335, and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Labor, which may be reached at (208) 332-3570.

#### Membership

As of September 30, 2012, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

|                            |           |
|----------------------------|-----------|
| Retirees and Beneficiaries | 359       |
| Inactive Participants      | 6         |
| Current Active Employees   | <u>15</u> |
| Total                      | 380       |

#### Benefits

Retirement benefit payments are calculated using a benefit formula established in the Plan. This monthly benefit is payable for life, through an annuity purchased for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Upon the purchase of an annuity, Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2012, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is \$105.9 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2013. Net position available for benefits (at fair value) is \$169.3 million.

#### Funding Policy

##### Contributions

Until August 1999, 7 percent of payroll was contributed by the employee. The employee contribution was required by the Plan and was made even though a contribution was not actuarially needed to finance future benefits. In August 1999, the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2013, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2014. The total employer contribution for federal fiscal year 2013 was zero.

## NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

#### Summary of Plans

The Department of Administration administers postemployment benefits for healthcare, disability, and life insurance for retired or disabled employees of state agencies, public health districts, community colleges, and other political subdivisions that participate in the plans. The Retiree Healthcare and Long-Term Disability plans are reported as agent multiple-employer defined benefit plans. The Retiree Life Insurance plan is a single-employer defined benefit plan. Idaho Code Sections 67-5760 to 67-5768 and 72-1335, establishes the benefits and contribution obligations. The plans do not issue publicly available financial reports. The most recent actuarial valuation is as of July 1, 2012. No assets have been set aside to pay future benefits; these benefits are funded on a pay-as-you-go basis. The costs of administering the plans are financed by a surcharge to employers on all active employees, \$0.10 per person per month for fiscal year 2013. This rate is reviewed annually.

Each of the employers participating in the plans is required by GASB Statement No. 45 to disclose additional information regarding funding policy, the employer's annual Other Post Employment

Benefits (OPEB) cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

The University of Idaho administers a single-employer defined benefit plan which provides medical, dental, and life insurance. The benefits may be amended by the University or the State Board of Education. The University issues a publicly available financial report that includes financial statements and required supplementary information for these benefits. That report may be obtained by writing to the University of Idaho, Attn. General Accounting, 875 Perimeter Dr., MS 3166, Moscow, ID 83844-3166. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2012. The University has established a trust to fund the medical and dental portions of these benefits. The trust statements are for the fiscal year ended December 31, 2012. The cost of administering the medical and dental portions of the plan is included in medical claim costs; the life insurance portion is financed by a 10 percent surcharge.

The number of participating employers and the classes of employees covered by the above plans are as follows:

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Classes of Employees and Number of Participating Employers

|                                   | Retiree<br>Healthcare<br>Plan | Long-Term Disability Plan |                   |        | Retiree Life<br>Insurance<br>Plan | University<br>of Idaho<br>Plan |
|-----------------------------------|-------------------------------|---------------------------|-------------------|--------|-----------------------------------|--------------------------------|
|                                   |                               | Healthcare                | Life<br>Insurance | Income |                                   |                                |
| Active Employees                  | 13,962                        | 18,770                    | 18,770            |        | 5,323                             | 1,201                          |
| Retired/Disabled Employees        | 875                           | 149                       | 615               | 110    | 1,329                             | 871                            |
| Terminated, Vested Employees      |                               |                           |                   |        | 98                                |                                |
| Number of Participating Employers | 26                            | 26                        | 26                | 26     | 1                                 | 1                              |

#### Plan Descriptions and Funding Policy

##### Retiree Healthcare Plan

A retired officer or employee of a state agency, department, institution, or other political subdivision, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the employee must be receiving monthly PERSI benefits at the time of retirement and must have 10 or more years (20,800 or more hours) of credited service. An officer or employee must have been an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is \$1,860 per retiree per year. In fiscal year 2013, retired plan members contributed 75.4 percent of the total premium cost, and employers were charged \$8.00 per active employee per month towards the retiree premium cost, or 24.6 percent of the total cost of the retiree plan.

##### Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary, the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 continuous weeks of total disability or exhaustion of accrued sick leave must be met.

For up to 30 months following the date of disability an employee may continue healthcare coverage under this

plan. Each employer pays 100 percent of the employer's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. In fiscal year 2013, employers were not required to make a contribution.

The plan also provides basic life insurance and dependent life insurance to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses and a \$1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The employer pays 100 percent of the cost of the premiums; the contribution is actuarially determined based on actual claims experience.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or \$4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company, and the obligation for the payment of benefits has been effectively transferred. The employer pays 100 percent of the cost of the premiums; the contribution rate for the period was 0.264 percent of payroll. The employers' actual contribution was \$2.3 million in fiscal year 2013. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Retiree Life Insurance Plan

Boise State University, Eastern Idaho Technical College, Idaho State University, and Lewis-Clark State College provide basic life insurance to certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement.

The Judicial Department provides basic life insurance for life to all retired Idaho Supreme Court justices, state court of appeals judges, district court judges, magistrate judges, and court administrators. Eligible retirees receive life insurance coverage equal to 100 percent of the annual salary of the position from which they retire.

The Department of Labor provides basic life insurance to all certified retired employees of the Department. Eligible retirees receive insurance equal to 50 percent of their annual salary at retirement, not to exceed \$5,000.

These participating agencies pay 100 percent of the cost of basic life insurance for eligible retirees. The contribution rate for the fiscal year was a percentage of payroll as indicated in the following chart:

**Retiree Life Insurance Contribution Rates**

|                           | <b>Under<br/>Age 65</b> | <b>Age<br/>65 - 69</b> | <b>Age 70<br/>and<br/>Over</b> | <b>All<br/>Ages</b> |
|---------------------------|-------------------------|------------------------|--------------------------------|---------------------|
| Colleges and Universities | 1.177%                  | 0.894%                 | 0.600%                         |                     |
| Judicial Department       | 1.170%                  | 0.887%                 | 0.593%                         |                     |
| Department of Labor       |                         |                        |                                | 0.593%              |

#### University of Idaho Plan

The University of Idaho plan provides medical and dental benefits to eligible retirees, disabled employees, spouses, and survivors; life insurance is provided only to retirees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for these benefits. The University pays a portion of the coverage for retirees and disabled employees; the retiree or disabled employee pays the remainder. Spouses and survivors are required to pay 100 percent of the cost for the medical and dental benefits.

Employees hired after January 1, 2002, are eligible to participate in the University's health insurance plan; however, the employee pays the entire cost of the premiums. The University determines the defined premium costs that will be borne by the retiree plan participants. The University solely bears the risk for adverse financial performance, subject to a cap of \$200 thousand per retiree per year, after which the University is reinsured. Retiree health plan performance is reviewed annually and premium rates are then adjusted by the University as necessary.

#### Summary of Significant Accounting Policies

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a liability is incurred, regardless of the timing of cash flows. Investments are reported at fair value.

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2013

The financial position of each of the State's OPEB plans is as follows:

| <b>Statement of Plan Net Position</b> |                                        |                                  |                           |               |                                            |                                         |
|---------------------------------------|----------------------------------------|----------------------------------|---------------------------|---------------|--------------------------------------------|-----------------------------------------|
| <i>(dollars in thousands)</i>         |                                        |                                  |                           |               |                                            |                                         |
|                                       | <b>Retiree<br/>Healthcare<br/>Plan</b> | <b>Long-Term Disability Plan</b> |                           |               | <b>Retiree Life<br/>Insurance<br/>Plan</b> | <b>University<br/>of Idaho<br/>Plan</b> |
|                                       |                                        | <b>Healthcare</b>                | <b>Life<br/>Insurance</b> | <b>Income</b> |                                            |                                         |
| <b>ASSETS</b>                         |                                        |                                  |                           |               |                                            |                                         |
| Pooled Cash and Investments           | \$191                                  |                                  |                           |               |                                            | \$838                                   |
| Investments, at Fair Value            |                                        |                                  |                           |               |                                            |                                         |
| Fixed Income Securities               |                                        |                                  |                           |               |                                            | 12,411                                  |
| Equity Securities                     |                                        |                                  |                           |               |                                            | 10,682                                  |
| <b>Total Assets</b>                   | <u>\$191</u>                           | <u>\$0</u>                       | <u>\$0</u>                | <u>\$0</u>    | <u>\$0</u>                                 | <u>\$23,931</u>                         |
| <b>LIABILITIES</b>                    |                                        |                                  |                           |               |                                            |                                         |
| Deferred Revenue                      | \$191                                  |                                  |                           |               |                                            |                                         |
| <b>Total Liabilities</b>              | <u>\$191</u>                           | <u>\$0</u>                       | <u>\$0</u>                | <u>\$0</u>    | <u>\$0</u>                                 | <u>0</u>                                |
| <b>NET POSITION</b>                   |                                        |                                  |                           |               |                                            |                                         |
| Net Position Held in Trust for OPEB   |                                        |                                  |                           |               |                                            | \$23,931                                |
| <b>Total Net Position</b>             |                                        |                                  |                           |               |                                            | <u>\$23,931</u>                         |

| <b>Statement of Changes in Plan Net Position</b>     |                                         |
|------------------------------------------------------|-----------------------------------------|
| <i>(dollars in thousands)</i>                        |                                         |
|                                                      | <b>University<br/>of Idaho<br/>Plan</b> |
| <b>ADDITIONS</b>                                     |                                         |
| Employer Contributions                               | \$3,000                                 |
| Interest                                             | 466                                     |
| Realized Gain in Fair Value of Investments           | 3,195                                   |
| Net Increase (Decrease) in Fair Value of Investments | <u>(1,381)</u>                          |
| <b>Total Additions</b>                               | <u>5,280</u>                            |
| <b>DEDUCTIONS</b>                                    |                                         |
| Realized Loss on Investments                         |                                         |
| <b>Total Deductions</b>                              | <u>0</u>                                |
| <b>Net Increase in Plan Net Position</b>             | 5,280                                   |
| <b>Net Position, Beginning of Year</b>               | 18,651                                  |
| <b>Net Position, End of Year</b>                     | <u>\$23,931</u>                         |

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer. The following table illustrates the annual

OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO) and the NOO (funding excess) for the current year:

**Annual OPEB Cost and Net OPEB Obligation**  
(dollars in thousands)

|                                             | Retiree<br>Healthcare<br>Plan | Long-Term Disability Plan |                   |        | Retiree Life<br>Insurance<br>Plan | University<br>of Idaho<br>Plan |
|---------------------------------------------|-------------------------------|---------------------------|-------------------|--------|-----------------------------------|--------------------------------|
|                                             |                               | Healthcare                | Life<br>Insurance | Income |                                   |                                |
| Annual Required Contribution                | \$2,427                       | \$1,047                   | \$1,509           | \$768  | \$3,269                           | \$3,753                        |
| Interest on NOO                             | 1,061                         | 66                        | (19)              | (10)   | 384                               |                                |
| Adjustment to ARC                           | (2,092)                       | (129)                     | 37                | 20     | (757)                             |                                |
| Total Annual OPEB Cost                      | 1,396                         | 984                       | 1,527             | 778    | 2,896                             | 3,753                          |
| Contributions Made                          | (1,954)                       | (1,274)                   | (1,595)           | (585)  | (535)                             | (4,404)                        |
| Increase (Decrease) in NOO                  | (558)                         | (290)                     | (68)              | 193    | 2,361                             | (651)                          |
| NOO (Funding Excess) –<br>Beginning of Year | 28,249                        | 1,736                     | (504)             | (276)  | 10,248                            | (1,866)                        |
| NOO (Funding Excess) –<br>End of Year       | \$27,691                      | \$1,446                   | (\$572)           | (\$83) | \$12,609                          | (\$2,517)                      |

#### Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the

NOO (funding excess) for the current and prior two years.

**Annual OPEB Cost and Net OPEB Obligation Comparison**  
(dollars in thousands)

|                                       |      | Retiree<br>Healthcare<br>Plan | Long-Term Disability Plan |                   |         | Retiree Life<br>Insurance<br>Plan | University of<br>Idaho Plan |
|---------------------------------------|------|-------------------------------|---------------------------|-------------------|---------|-----------------------------------|-----------------------------|
|                                       |      |                               | Healthcare                | Life<br>Insurance | Income  |                                   |                             |
| Annual OPEB Cost                      | 2011 | \$3,236                       | \$1,202                   | \$719             | \$729   | \$2,802                           | \$5,250                     |
|                                       | 2012 | 3,215                         | 1,256                     | 728               | 788     | 2,915                             | 4,806                       |
|                                       | 2013 | 1,396                         | 984                       | 1,527             | 778     | 2,896                             | 3,753                       |
| Percentage of AOC Contributed         | 2011 | 44.6%                         | 85.1%                     | 148.8%            | 97.8%   | 19.5%                             | 107.0%                      |
|                                       | 2012 | 94.3%                         | 91.2%                     | 112.0%            | 82.5%   | 18.6%                             | 108.2%                      |
|                                       | 2013 | 140.0%                        | 129.5%                    | 104.5%            | 75.2%   | 18.5%                             | 117.3%                      |
| NOO (Funding Excess) –<br>End of Year | 2011 | \$28,066                      | \$1,625                   | (\$417)           | (\$414) | \$7,875                           | (\$1,471)                   |
|                                       | 2012 | 28,249                        | 1,736                     | (504)             | (276)   | 10,248                            | (1,866)                     |
|                                       | 2013 | 27,691                        | 1,446                     | (572)             | (83)    | 12,609                            | (2,517)                     |

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the State as an employer:

| <b>Funded Status and Funding Progress</b><br>(dollars in thousands) |                                        |                                           |           |           |                                            |                                         |
|---------------------------------------------------------------------|----------------------------------------|-------------------------------------------|-----------|-----------|--------------------------------------------|-----------------------------------------|
|                                                                     | <b>Retiree<br/>Healthcare<br/>Plan</b> | <b>Long-Term Disability Plan<br/>Life</b> |           |           | <b>Retiree Life<br/>Insurance<br/>Plan</b> | <b>University<br/>of Idaho<br/>Plan</b> |
| Actuarial Valuation Date                                            | 7/1/2012                               | 7/1/2012                                  | 7/1/2012  | 7/1/2012  | 7/1/2012                                   | 7/1/2012                                |
| 1 Actuarial Value of Assets                                         | \$0                                    | \$0                                       | \$0       | \$0       | \$0                                        | \$24,753                                |
| 2 Actuarial Accrued Liability (AAL)                                 | 15,751                                 | 7,155                                     | 6,767     | 4,065     | 39,563                                     | 63,465                                  |
| 3 Unfunded AAL (UAAL) (2) - (1)                                     | \$15,751                               | \$7,155                                   | \$6,767   | \$4,065   | \$39,563                                   | \$38,712                                |
| 4 Funded Ratios (1) : (2)                                           | 0.0%                                   | 0.0%                                      | 0.0%      | 0.0%      | 0.0%                                       | 39.0%                                   |
| 5 Annual Covered Payroll                                            | \$811,758                              | \$811,758                                 | \$811,758 | \$811,758 | \$264,491                                  | \$123,592                               |
| 6 UAAL as a Percentage of Covered Payroll (3) : (5)                 | 1.94%                                  | 0.88%                                     | 0.83%     | 0.50%     | 14.96%                                     | 31.32%                                  |

#### Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the

time of each valuation and on the pattern of sharing costs between the employer and plan members.

The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following table presents the significant methods and assumptions for all plans:

| <b>Significant Methods and Actuarial Assumptions</b> |                                        |                                           |                       |                       |                                            |                                         |
|------------------------------------------------------|----------------------------------------|-------------------------------------------|-----------------------|-----------------------|--------------------------------------------|-----------------------------------------|
|                                                      | <b>Retiree<br/>Healthcare<br/>Plan</b> | <b>Long-Term Disability Plan<br/>Life</b> |                       |                       | <b>Retiree Life<br/>Insurance<br/>Plan</b> | <b>University<br/>of Idaho<br/>Plan</b> |
| Actuarial Cost Method                                | Projected Unit Credit                  | Projected Unit Credit                     | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit                      | Entry Age Normal                        |
| Amortization Method                                  | Level Percentage of Payroll            | Level Percentage of Payroll               | Level Dollar          | Level Dollar          | Level Percentage of Payroll                | Level Dollar                            |
| Amortization Period                                  | 10 years, Closed                       | 30 years, Open                            | 5 years, Closed       | 6 years, Closed       | 30 years, Open                             | 30 years, Open                          |
| Asset Valuation Method                               | N/A                                    | N/A                                       | N/A                   | N/A                   | N/A                                        | Fair Market Value                       |
| Assumptions:                                         |                                        |                                           |                       |                       |                                            |                                         |
| Inflation Rate                                       | 3.00%                                  | 3.00%                                     | 3.00%                 | 3.00%                 | 3.00%                                      | N/A                                     |
| Investment Return                                    | 3.75%                                  | 3.75%                                     | 3.75%                 | 3.75%                 | 3.75%                                      | 6.25%*                                  |
| OPEB Increases                                       | N/A                                    | N/A                                       | N/A                   | N/A                   | N/A                                        | N/A                                     |
| Projected Salary Increases                           | 3.50%                                  | 3.50%                                     | 3.50%                 | 3.50%                 | 3.50%                                      | 3.00%                                   |
| Healthcare Cost Initial Trend Rate                   | 4.90%                                  | 4.90%                                     | N/A                   | N/A                   | N/A                                        | 9.00%                                   |
| Healthcare Cost Ultimate Trend Rate                  | 5.00%                                  | 5.00%                                     | N/A                   | N/A                   | N/A                                        | 5.00%                                   |

\* The discount rate is based upon the University's historical and long-term expected investment return.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### NOTE 9. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Group Insurance and Risk Management internal service funds and various outside entity insurance providers.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs which are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 5 percent of the annual premiums for medical, 5 percent for dental, and is not responsible for any claims exceeding premium payments for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. Policy claim liabilities are composed of the amounts required to fund any additional payments of life, health, and disability premiums. The liabilities include an estimate for claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The fiscal year 2013 refund reflects a favorable claims experience. Unpaid claim liabilities at fiscal year-end of \$5.1 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with the restricted net position in the Group Insurance fund.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the Idaho Tort Claims Act maximum of \$500,000 for each occurrence.

Property damage claims are self-insured for up to \$250,000, energy systems are self-insured for up to \$50,000, and employee bond/crime is self-insured for up to \$175,000, per occurrence annually. Physical damage to covered vehicles is self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

Estimated liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. The State records its Risk Management premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. At fiscal year-end \$14.0 million of unpaid claim liabilities for Risk Management are recorded at the present value of \$12.9 million, using a 3.5 percent discount interest rate.

All state entities may participate in the Group Insurance and Risk Management programs. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years. Liabilities are reported when the occurrence of loss is probable and the amount of the loss can be reasonably estimated. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered.

Changes in policy claim liabilities are as follows (*dollars in thousands*):

|                 | <b>Fiscal<br/>Year</b> | <b>Beginning<br/>Balance</b> | <b>Current Year<br/>Claims and<br/>Changes in<br/>Estimate</b> | <b>Claims<br/>(Payments)<br/>Refunds</b> | <b>Ending<br/>Balance</b> |
|-----------------|------------------------|------------------------------|----------------------------------------------------------------|------------------------------------------|---------------------------|
| Group Insurance | 2012                   | \$2,181                      | (\$4,183)                                                      | \$4,795                                  | \$2,793                   |
|                 | 2013                   | \$2,793                      | (\$6,823)                                                      | \$9,101                                  | \$5,071                   |
| Risk Management | 2012                   | \$11,688                     | \$5,892                                                        | (\$4,923)                                | \$12,657                  |
|                 | 2013                   | \$12,657                     | \$4,411                                                        | (\$4,176)                                | \$12,892                  |

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### NOTE 10. LEASES

##### A. State as Lessee

The State leases land, buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

##### Operating Leases

Operating leases do not qualify for capitalization. Therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures or expenses of the

related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2013 were \$26.4 million for the primary government. Operating leases contain various renewal options, as well as some purchase options.

##### Capital Leases

The State has entered into capital leases that are, in substance, a purchase. At the date of acquisition the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense.

Assets under capital lease are as follows (*dollars in thousands*):

| <u>Asset Class</u>                       | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|------------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Land                                     | \$187                          |                                 | \$187                           |
| Buildings and Improvements               | 34,651                         | \$8,043                         | 42,694                          |
| Machinery, Equipment, and Other          | 646                            | 529                             | 1,175                           |
| Accumulated Depreciation                 | (4,234)                        | (4,252)                         | (8,486)                         |
| <b>Total Assets under Capital Leases</b> | <b>\$31,250</b>                | <b>\$4,320</b>                  | <b>\$35,570</b>                 |

Future minimum lease commitments for noncancelable operating and capital leases are as follows (*dollars in thousands*):

| Fiscal Year                                          | <u>Operating Leases</u> | <u>Capital Leases</u>   |                                             |                                               |                          |
|------------------------------------------------------|-------------------------|-------------------------|---------------------------------------------|-----------------------------------------------|--------------------------|
|                                                      | Primary Government      | Governmental Activities | Business-Type Activities With Third Parties | Business-Type Activities With Component Units | Total Primary Government |
| 2014                                                 | \$26,297                | \$3,521                 | \$175                                       | \$429                                         | \$4,125                  |
| 2015                                                 | 20,065                  | 3,538                   | 20                                          | 432                                           | 3,990                    |
| 2016                                                 | 16,782                  | 3,318                   | 20                                          | 433                                           | 3,771                    |
| 2017                                                 | 13,666                  | 3,337                   | 10                                          | 405                                           | 3,752                    |
| 2018                                                 | 8,941                   | 3,315                   |                                             | 11                                            | 3,326                    |
| 2019 - 2023                                          | 12,228                  | 16,590                  |                                             |                                               | 16,590                   |
| 2024 - 2028                                          | 143                     | 14,461                  |                                             |                                               | 14,461                   |
| 2029 - 2033                                          | 143                     | 2,751                   |                                             |                                               | 2,751                    |
| <b>Total Payments</b>                                | <b>\$98,265</b>         | <b>50,831</b>           | <b>225</b>                                  | <b>1,710</b>                                  | <b>52,766</b>            |
| Executory Costs                                      |                         | (10,737)                |                                             |                                               | (10,737)                 |
| Imputed Interest                                     |                         | (12,700)                | (14)                                        | (258)                                         | (12,972)                 |
| <b>Total Present Value of Minimum Lease Payments</b> |                         | <b>\$27,394</b>         | <b>\$211</b>                                | <b>\$1,452</b>                                | <b>\$29,057</b>          |

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### B. State as Lessor

##### Operating Leases

The State leased the following assets under operating leases (*dollars in thousands*):

| Asset Class                        | Primary Government |
|------------------------------------|--------------------|
| Land                               | \$2,751            |
| Buildings and Improvements         | 22,867             |
| Improvements Other Than Buildings  | 272                |
| Machinery, Equipment, and Other    | 1,143              |
| Accumulated Depreciation           | (2,953)            |
| <b>Total Assets Held for Lease</b> | <b>\$24,080</b>    |

##### Capital Leases

The Boise State University Foundation, a component unit, leases a building to Boise State University. The lease agreement does not specify a final lease term; at the end of the lease, the Foundation will either donate the building to the University or continue to lease the building for \$1 annually. The capital lease receivable is on the balance sheet as part of due from primary government and is valued at the net investment in direct financing lease.

Future minimum rentals for operating leases and future minimum lease payments receivable for capital leases are as follows (*dollars in thousands*):

|                                                  | Operating Leases   | Capital Leases |
|--------------------------------------------------|--------------------|----------------|
|                                                  | Primary Government | Component Unit |
| Fiscal Year                                      |                    |                |
| 2014                                             | \$5,655            | \$429          |
| 2015                                             | 4,902              | 432            |
| 2016                                             | 4,597              | 433            |
| 2017                                             | 4,299              | 416            |
| 2018                                             | 4,041              |                |
| 2019 - 2023                                      | 18,850             |                |
| 2024 - 2028                                      | 8,195              |                |
| 2029 - 2033                                      | 4,813              |                |
| <b>Total Rentals and Receivables</b>             | <b>\$55,352</b>    | <b>\$1,710</b> |
| <b>Net Investment in Direct Financing Lease:</b> |                    |                |
| Minimum Lease Payments Receivable                |                    | \$1,710        |
| Unearned Income                                  |                    | (258)          |
| <b>Net Investment in Direct Financing Lease</b>  |                    | <b>\$1,452</b> |

#### NOTE 11. SHORT-TERM DEBT

##### Primary Government

Idaho Code Section 63-3201 authorizes the State Treasurer, upon approval of the State Board of Examiners, to borrow money in anticipation of current-year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors affecting the timing of receipts; such factors are the

collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2013, the State anticipated that 45.2 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 67.4 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on the open market were issued on July 1, 2012, and were redeemed on June 30, 2013.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### Component Units

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to provide funds to purchase single-family mortgage loans on an interim basis and to finance multi-family construction loans. As of June 30, 2013, the Association has commercial paper outstanding, maturing within 12 to 67 days from date of issue, with a weighted average interest rate of 0.42 percent.

The Idaho Small Employer Health Reinsurance Program has a \$0.8 million line-of-credit commitment from a local bank. Interest on the advances is payable monthly at prime rate plus 1 percent per annum and was 4.25 percent as of December 31, 2012. The line had no activity during the year, matures November 1, 2013, and is not secured.

Short-term debt activity was as follows (*dollars in thousands*):

|                                 | <u>Balances at<br/>July 1, 2012</u> | <u>Issued/Draws</u> | <u>Redeemed/<br/>Repayments</u> | <u>Balances at<br/>June 30, 2013</u> |
|---------------------------------|-------------------------------------|---------------------|---------------------------------|--------------------------------------|
| <b>Primary Government</b>       |                                     |                     |                                 |                                      |
| <b>Governmental Activities:</b> |                                     |                     |                                 |                                      |
| External Tax Anticipation Notes | \$0                                 | \$500,000           | (\$500,000)                     | \$0                                  |
| <b>Component Units</b>          |                                     |                     |                                 |                                      |
| Commercial Paper                | \$50,000                            | \$172,389           | (\$172,389)                     | \$50,000                             |

## NOTE 12. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

### A. Compensated Absences

#### Primary Government

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Employees earn vacation based on hours worked and years of service; compensatory time earned is based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued in the government-wide, proprietary, and fiduciary fund financial statements for all vacation pay and compensatory time when incurred. The liability is based on the pay rate in effect at the balance sheet date. The State assumes a first-in, first-out flow for compensated absence balances.

Idaho Code Section 67-5333 establishes the policy for sick leave benefits. The State does not pay amounts for accumulated sick leave when employees separate from service. Therefore, the State does not accumulate a liability for sick leave. However, upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) may be used to purchase health insurance for the retiree.

| <b>Credited Hours of State Service</b> | <b>Maximum Allowable Hours</b> |
|----------------------------------------|--------------------------------|
| 0–10,400                               | (0-5 years) 420                |
| 10,401–20,800                          | (5-10 years) 480               |
| 20,801–31,200                          | (10-15 years) 540              |
| 31,201+                                | (15 years or more) 600         |

The health insurance premiums are funded by remitting 0.65 percent of payroll to the Sick Leave Insurance Reserve fund administered by the Public Employee Retirement System of Idaho. A compensated absences liability is recorded for the actuarial accrued unfunded liability on the government-wide statements and as of June 30, 2013, was \$8.2 million.

### B. Revenue Bonds

#### Primary Government

The Idaho State Building Authority is authorized by Idaho Code Title 67 Chapter 64 to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative approval. Bonds are direct obligations of the Authority. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds except the

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

---

Series 2008A bonds, for which the Authority has a funded debt service reserve. No amounts were outstanding at June 30, 2013, under these surety bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues. The colleges and universities issued \$561.8 million in bonds between 1998 and 2013. Annual principal and interest payments on the bonds are expected to require 11 percent of the revenues. The total principal and interest payments remaining on the bonds are \$739.0 million, payable through 2042. For the current year, principal and interest payments and total pledged revenues were \$36.0 million and \$327.3 million, respectively.

The Idaho Water Resource Board within the Department of Water Resources is authorized to issue and sell revenue bonds under provisions of Idaho Code Sections 42-1739 through 42-1749. Bonds in the original amount of \$5.3 million are outstanding and secured by revenues derived from the generation of hydroelectric power, a mortgage, the assignment of water rights, and by a reserve fund with the trustee bank. The reserve requirement is equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to 125 percent of the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline is out of service and unable to generate revenue. These bonds are not considered general obligations of the State. Total principal and interest remaining on the bonds is \$3.6 million, payable through 2019. Annual principal and interest payments on the bonds are expected to require 71.9 percent of the revenues. For the current year, principal and interest payments and total pledged revenues were \$0.6 million and \$0.8 million, respectively.

**Component Units**

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under

provisions of Idaho Code Sections 67-6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments, the construction of highway transportation projects, and to refinance a note for unemployment compensation benefits. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation and unemployment compensation benefits bonds are secured by principal and interest payments from the Idaho Transportation Department and the Idaho Department of Labor.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding construction projects. Foundation bonds are secured by various revenue sources, including leases, donations, pledges, and other funds. The college and university foundations issued \$27.0 million in bonds between 2001 and 2002. The total principal and interest payments remaining on the bonds are \$7.5 million, payable through 2021. Annual principal and interest payments on the bonds are expected to require 115.7 percent of the revenues. For the current year, principal and interest payments and total pledged revenues were \$0.5 million and \$0.5 million, respectively.

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of the Idaho Constitution Article VIII Section 2A and Idaho Code Sections 67-8701 through 67-8729. The bonds are used by the Authority to make loans to Idaho cities in order to finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

| Fiscal Year<br>Ending<br>June 30 | Primary Government      |                 |                          |                  |                |              |                  |                  |
|----------------------------------|-------------------------|-----------------|--------------------------|------------------|----------------|--------------|------------------|------------------|
|                                  | Governmental Activities |                 | Business-Type Activities |                  |                |              |                  |                  |
|                                  | Nonmajor                |                 | College and              |                  |                |              | Total            |                  |
|                                  | Special Revenue         |                 | University               |                  | Loan           |              | Principal        | Interest         |
|                                  | Principal               | Interest        | Principal                | Interest         | Principal      | Interest     | Principal        | Interest         |
| 2014                             | \$25,990                | \$7,771         | \$16,713                 | \$19,893         | \$425          | \$175        | \$43,128         | \$27,839         |
| 2015                             | 19,410                  | 6,767           | 17,999                   | 19,420           | 450            | 151          | 37,859           | 26,338           |
| 2016                             | 8,120                   | 6,185           | 18,811                   | 18,670           | 475            | 125          | 27,406           | 24,980           |
| 2017                             | 8,465                   | 5,894           | 17,307                   | 17,897           | 500            | 98           | 26,272           | 23,889           |
| 2018                             | 8,805                   | 5,563           | 18,139                   | 17,217           | 530            | 68           | 27,474           | 22,848           |
| 2019-2023                        | 50,380                  | 21,552          | 91,171                   | 75,102           | 560            | 35           | 142,111          | 96,689           |
| 2024-2028                        | 32,030                  | 10,519          | 70,175                   | 56,875           |                |              | 102,205          | 67,394           |
| 2029-2033                        | 12,765                  | 7,000           | 70,630                   | 39,487           |                |              | 83,395           | 46,487           |
| 2034-2038                        | 15,305                  | 3,790           | 72,575                   | 19,177           |                |              | 87,880           | 22,967           |
| 2039-2043                        | 9,054                   | 625             | 58,685                   | 3,021            |                |              | 67,739           | 3,646            |
| <b>Total</b>                     | <b>\$190,324</b>        | <b>\$75,666</b> | <b>\$452,205</b>         | <b>\$286,759</b> | <b>\$2,940</b> | <b>\$652</b> | <b>\$645,469</b> | <b>\$363,077</b> |
| Interest Rate                    | 0.16% to 5.98%          |                 | 0.67% to 6.52%           |                  | 5.46% to 6.28% |              |                  |                  |

| Fiscal Year<br>Ending<br>June 30 | Component Units     |                  |                        |              |                  |                  |                    |                  |
|----------------------------------|---------------------|------------------|------------------------|--------------|------------------|------------------|--------------------|------------------|
|                                  | Idaho Housing and   |                  | College and University |              | Idaho Bond Bank  |                  | Total              |                  |
|                                  | Finance Association |                  | Foundations            |              | Authority        |                  | Principal          | Interest         |
|                                  | Principal           | Interest         | Principal              | Interest     | Principal        | Interest         | Principal          | Interest         |
| 2014                             | \$152,425           | \$52,436         | \$440                  | \$99         | \$14,725         | \$14,901         | \$167,590          | \$67,436         |
| 2015                             | 99,045              | 48,960           | 460                    | 82           | 16,225           | 14,448           | 115,730            | 63,490           |
| 2016                             | 109,095             | 44,820           | 855                    | 62           | 16,560           | 13,900           | 126,510            | 58,782           |
| 2017                             | 69,705              | 41,588           | 875                    | 41           | 16,635           | 13,332           | 87,215             | 54,961           |
| 2018                             | 72,240              | 39,308           | 890                    | 35           | 17,335           | 12,720           | 90,465             | 52,063           |
| 2019-2023                        | 377,930             | 160,498          | 4,175                  |              | 102,740          | 52,210           | 484,845            | 212,708          |
| 2024-2028                        | 402,980             | 94,285           |                        |              | 96,205           | 29,281           | 499,185            | 123,566          |
| 2029-2033                        | 297,260             | 23,336           |                        |              | 39,975           | 11,597           | 337,235            | 34,933           |
| 2034-2038                        | 144,700             | 10,169           |                        |              | 21,000           | 5,202            | 165,700            | 15,371           |
| 2039-2043                        | 21,383              | 2,095            |                        |              | 9,765            | 833              | 31,148             | 2,928            |
| <b>Total</b>                     | <b>\$1,746,763</b>  | <b>\$517,495</b> | <b>\$7,695</b>         | <b>\$319</b> | <b>\$351,165</b> | <b>\$168,424</b> | <b>\$2,105,623</b> | <b>\$686,238</b> |
| Interest Rate                    | 0.00% to 14.30%     |                  | *0.17% to 5.35%        |              | 1.25% to 6.25%   |                  |                    |                  |

\*Interest for the ISU Foundation is re-marketed at the Weekly Rate.

### C. Advance and Current Refundings

#### Primary Government

During fiscal year 2013, the Idaho State Building Authority issued \$10.9 million in refunding bonds and placed the proceeds into irrevocable trusts sufficient to provide for all future debt service payments on defeased bonds. The refunding resulted in a reduction of debt service requirements by \$0.7 million and an economic gain of \$0.6 million. The related liability was appropriately removed from the financial statements in the year of defeasance.

Boise State University defeased two existing bonds by issuing new bonds totaling \$26.0 million and placing part of the proceeds of the general revenue bond into a trust sufficient to pay all future debt service payments on those bonds. The related liability was appropriately removed from the financial statements in the year of defeasance. The refunding resulted in a reduction of debt service requirements by \$3.3 million and an economic gain of \$2.6 million.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

Idaho State University advance refunded bonds by issuing new bonds of \$31.3 million and placing the proceeds into a trust sufficient to pay all future debt service payments on those bonds. The refunding resulted in a reduction of debt service requirements of \$3.8 million and an economic gain of \$3.5 million.

The University of Idaho defeased five existing bonds by issuing new bonds of \$8.7 million and placing the proceeds of the general revenue bond into a trust sufficient to pay all future debt service payments on those bonds. The related liability was appropriately removed from the financial statements in the year of defeasance. The refunding resulted in a reduction of

debt service payments of \$0.5 million and an economic loss of \$0.5 million.

#### Component Units

The Idaho Housing and Finance Association issued the 2012A bonds to refund the 2007D through 2007K variable rate demand bonds. The redemption and reissuance were at par resulting in a \$70 thousand gain which was used to offset underwriting costs. This current refunding exchanged variable rate demand obligations with indexed floating rate obligations, eliminating liquidity and remarketing risks associated with the original 2007D through 2007K bonds.

The outstanding debt payable for each defeased debt issue is as follows (*dollars in thousands*):

| Issuer                         | Debt Issue                                        | Amount<br>Defeased | Remaining<br>Liability |
|--------------------------------|---------------------------------------------------|--------------------|------------------------|
| Idaho State Building Authority | 2001 Series C Bonds                               | \$3,815            | \$3,815                |
|                                | 2003 Series B Bonds                               | 4,765              | 4,765                  |
|                                | 2003 Series D Bonds                               | 7,640              | 7,640                  |
|                                | 2003 Series E Bonds                               | 5,430              | 5,430                  |
|                                | 2003 Series F Bonds                               | 7,350              | 7,350                  |
|                                | 2003 Series G Bonds                               | 6,280              | 6,280                  |
|                                | 2003 Series H Bonds                               | 6,900              | 6,900                  |
|                                | 2003 Series I Bonds                               | 3,385              | 3,385                  |
|                                | 2003 Series J Bonds                               | 1,435              | 1,435                  |
|                                | 2005 Series A Bonds                               | 6,935              | 6,935                  |
| Boise State University         | 2004 General Revenue Bond                         | 23,190             | 23,190                 |
|                                | 2005 General Revenue Bond                         | 10,475             | 10,475                 |
| Idaho State University         | 1998 Series Student Facilities Fees Revenue Bonds | 5,030              | 5,030                  |
|                                | 2003 Series General Refunding and Revenue Bonds   | 25,630             | 25,630                 |
|                                | 2004 Series A General Revenue Bonds               | 2,585              | 2,585                  |
|                                | 2004 Series B General Revenue Bonds               | 265                | 265                    |
| University of Idaho            | 2003 Series Student Fee Refunding Revenue Bond    | 5,545              | 5,545                  |

#### D. Notes Payable

##### Primary Government

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through the issuance of \$675.0 million in notes payable to the Idaho Housing and Finance Association. The notes are related to GARVEE bonds issued by the Association and will be repaid by grant revenues received by the Department from the Federal Highway Administration and by matching state funds. Annual principal and interest payments on the notes are expected to require 16.9 percent of the revenues. The total principal and interest payments remaining on the notes are \$825.5 million, payable through 2029. For the

current year, principal and interest payments and total pledged revenues were \$50.2 million and \$296.7 million, respectively. The amount of the balance owing does not equal the amount of the receivable recorded by the Association due to the timing of principal and interest payments.

The Idaho State Building Authority issued a \$1.7 million note payable during 2009. The note is payable from and secured by a pledge of lease revenues, other funds, and reserves held.

The Department of Administration purchased operating and capital equipment through the issuance of a note payable for \$3.8 million in 2004.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

The State's colleges and universities refinanced various notes payable by issuing new notes payable. The notes are secured by student fees revenues. Lewis-Clark State College issued \$7.7 million in notes payable between 2010 and 2012. Annual principal and interest payments on the notes are expected to require 79.6 percent of the revenues. The total principal and interest remaining on the notes is \$5.7 million, payable through 2018. For the current year, principal and interest payments and net pledged revenues were \$1.0 million and \$1.2 million, respectively.

The Department of Labor issued \$187.6 million in notes payable to the Idaho Housing and Finance Association in fiscal year 2012. The note was issued to refinance the existing notes payable to the federal government for the deficit in the Unemployment Trust Fund that occurred in 2009 and 2010. The fund's unemployment insurance

receipts had fallen short of the amount needed to pay the prior year unemployment compensation benefits.

The Idaho Lottery purchased capital equipment through the issuance of a note payable for \$70 thousand in 2012.

#### Component Unit

The Idaho Housing and Finance Association issued notes payable for the construction and purchase of affordable multi-family housing complexes. The notes are secured by the deeds of trust on the buildings and equipment or an assignment or pledge of purchase rights for security purposes.

The BSU Foundation issued a \$2.0 million note payable to a large healthcare organization. The proceeds were invested and the investment earnings will generate scholarships for health science students.

Note debt service requirements to maturity are as follows (*dollars in thousands*):

| Fiscal Year<br>Ending<br>June 30 | Primary Government<br>Governmental Activities |                  |                 |              |                  |              |                  |                  |
|----------------------------------|-----------------------------------------------|------------------|-----------------|--------------|------------------|--------------|------------------|------------------|
|                                  | Nonmajor                                      |                  |                 |              |                  |              | Total            |                  |
|                                  | Transportation                                |                  | Special Revenue |              | Internal Service |              |                  |                  |
|                                  | Principal                                     | Interest         | Principal       | Interest     | Principal        | Interest     | Principal        | Interest         |
| 2014                             | \$24,074                                      | \$28,311         | \$91            | \$74         | \$187            | \$151        | \$24,352         | \$28,536         |
| 2015                             | 25,097                                        | 27,324           | 96              | 69           | 210              | 140          | 25,403           | 27,533           |
| 2016                             | 26,191                                        | 26,224           | 102             | 63           | 234              | 129          | 26,527           | 26,416           |
| 2017                             | 27,347                                        | 25,067           | 107             | 58           | 261              | 116          | 27,715           | 25,241           |
| 2018                             | 28,650                                        | 23,763           | 113             | 52           | 289              | 101          | 29,052           | 23,916           |
| 2019-2023                        | 162,674                                       | 94,758           | 668             | 158          | 1,714            | 232          | 165,056          | 95,148           |
| 2024-2028                        | 200,726                                       | 47,485           | 156             | 9            |                  |              | 200,882          | 47,494           |
| 2029-2033                        | 55,905                                        | 1,892            |                 |              |                  |              | 55,905           | 1,892            |
| <b>Total</b>                     | <b>\$550,664</b>                              | <b>\$274,824</b> | <b>\$1,333</b>  | <b>\$483</b> | <b>\$2,895</b>   | <b>\$869</b> | <b>\$554,892</b> | <b>\$276,176</b> |
| Interest Rate                    | 2.00% to 6.35%                                |                  | 5.52%           |              | 5.34%            |              |                  |                  |

| Fiscal Year<br>Ending<br>June 30 | Business-Type Activities |                |                           |                |                           |            |                  |                 |
|----------------------------------|--------------------------|----------------|---------------------------|----------------|---------------------------|------------|------------------|-----------------|
|                                  | College and University   |                | Unemployment Compensation |                | Nonmajor Enterprise Funds |            | Total            |                 |
|                                  | Principal                | Interest       | Principal                 | Interest       | Principal                 | Interest   | Principal        | Interest        |
|                                  |                          |                |                           |                |                           |            |                  |                 |
| 2014                             | \$2,877                  | \$416          | \$46,130                  | \$5,372        | \$23                      | \$2        | \$49,030         | \$5,790         |
| 2015                             | 2,854                    | 298            | 47,940                    | 3,399          | 21                        | 1          | 50,815           | 3,698           |
| 2016                             | 2,866                    | 185            | 50,075                    | 1,165          |                           |            | 52,941           | 1,350           |
| 2017                             | 1,775                    | 68             |                           |                |                           |            | 1,775            | 68              |
| 2018                             | 1,886                    | 34             |                           |                |                           |            | 1,886            | 34              |
| 2019-2023                        | 2                        |                |                           |                |                           |            | 2                | 0               |
| <b>Total</b>                     | <b>\$12,260</b>          | <b>\$1,001</b> | <b>\$144,145</b>          | <b>\$9,936</b> | <b>\$44</b>               | <b>\$3</b> | <b>\$156,449</b> | <b>\$10,940</b> |
| Interest Rate                    | 2.28% to 5.00%           |                | 2.00%                     |                | 5.75%                     |            |                  |                 |

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

| Fiscal Year<br>Ending<br>June 30 | Component Units                          |                |                                       |             |                 |                |
|----------------------------------|------------------------------------------|----------------|---------------------------------------|-------------|-----------------|----------------|
|                                  | Idaho Housing and<br>Finance Association |                | College and<br>University Foundations |             | Total           |                |
|                                  | Principal                                | Interest       | Principal                             | Interest    | Principal       | Interest       |
| 2014                             | \$1,224                                  | \$975          |                                       | \$20        | \$1,224         | \$995          |
| 2015                             | 1,290                                    | 913            |                                       | 20          | 1,290           | 933            |
| 2016                             | 1,353                                    | 850            |                                       | 20          | 1,353           | 870            |
| 2017                             | 1,421                                    | 782            | \$2,000                               | 20          | 3,421           | 802            |
| 2018                             | 1,393                                    | 714            |                                       |             | 1,393           | 714            |
| 2019-2023                        | 6,277                                    | 2,666          |                                       |             | 6,277           | 2,666          |
| 2024-2028                        | 5,274                                    | 1,395          |                                       |             | 5,274           | 1,395          |
| 2029-2033                        | 1,943                                    | 574            |                                       |             | 1,943           | 574            |
| 2034-2038                        | 1,489                                    | 303            |                                       |             | 1,489           | 303            |
| 2039-2043                        | 1,073                                    | 94             |                                       |             | 1,073           | 94             |
| 2044-2048                        | 437                                      | 21             |                                       |             | 437             | 21             |
| 2049-2053                        | 1,361                                    | 3              |                                       |             | 1,361           | 3              |
| <b>Total</b>                     | <b>\$24,535</b>                          | <b>\$9,290</b> | <b>\$2,000</b>                        | <b>\$80</b> | <b>\$26,535</b> | <b>\$9,370</b> |
| Interest Rate                    | 0.00% to 9.13%                           |                | 1.00%                                 |             |                 |                |

#### E. Claims and Judgments

##### Primary Government

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments:

The Department of Health and Welfare estimates Medicaid claims incurred in fiscal year 2013 but not reported at year end in the amount of \$67.1 million.

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of \$2.1 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and to meet all costs of future site operation and maintenance costs. The December 2012 amended remediation cost estimate was \$143.0 million, which was measured using the expected cash flow technique. The State's share was \$14.3 million. The State has expended \$15.4 million toward the required match leaving an overpayment of the match liability of \$1.1 million. The contract work was completed during fiscal year 2008. The State has taken ownership of

1,400 acres of remediated and unremediated land with approximately 400 additional acres yet to be transferred from the EPA to the State. The land's value has not been established and has development limitations which may reduce property values.

In August 2002, the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct cleanup of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is \$310.0 million; Idaho's match is 10 percent or \$31.0 million, which was measured using the expected cash flow technique. The State has expended \$2.8 million toward the required match, leaving a liability of \$28.2 million; Washington State will match the remainder of the liability. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment due to changes in prices, technology, laws, regulations, and other factors. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project. The present value of operational and maintenance costs are estimated at \$41.0 million.

##### Component Units

The component units recorded the following claims and judgments:

The Idaho Housing and Finance Association had an estimated arbitrage rebate liability of \$1.8 million.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

The Petroleum Clean Water Trust Fund had policy claim liabilities of \$4.9 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of \$3.5 million for unpaid claims.

#### F. Changes in Long-Term Liabilities

The changes in long-term liabilities are summarized as follows (*dollars in thousands*):

| Long-Term Liabilities                | Balances at<br>July 1, 2012 | Increases        | Decreases          | Balances at<br>June 30, 2013 | Amounts<br>Due Within<br>One Year |
|--------------------------------------|-----------------------------|------------------|--------------------|------------------------------|-----------------------------------|
| <b>Primary Government</b>            |                             |                  |                    |                              |                                   |
| <b>Governmental Activities:</b>      |                             |                  |                    |                              |                                   |
| Revenue Bonds                        | \$207,244                   | \$19,990         | (\$36,910)         | \$190,324                    | \$25,990                          |
| (Premiums)/Discounts/Other           | (138)                       | 1,304            | 6,134              | 7,300                        |                                   |
| Notes Payable                        | 4,476                       |                  | (248)              | 4,228                        | 278                               |
| Notes Payable to Component Unit      | 520,337                     | 52,302           | (21,975)           | 550,664                      | 24,074                            |
| Total Bonds and Notes Payable        | 731,919                     | 73,596           | (52,999)           | 752,516                      | 50,342                            |
| Capital Leases                       | 28,967                      | 178              | (1,751)            | 27,394                       | 1,540                             |
| Compensated Absences                 | 62,775                      | 49,381           | (55,686)           | 56,470                       | 48,270                            |
| Policy Claim Liabilities             | 15,450                      | 13,512           | (10,999)           | 17,963                       | 9,406                             |
| Claims and Judgments                 | 178,173                     | 69,450           | (151,299)          | 96,324                       | 69,376                            |
| Net Pension Obligation               | 13,596                      | 3,029            | (2,636)            | 13,989                       |                                   |
| Net OPEB Obligation                  | 24,720                      | 2,497            | (2,610)            | 24,607                       |                                   |
| <b>Total Governmental Activity</b>   | <b>\$1,055,600</b>          | <b>\$211,643</b> | <b>(\$277,980)</b> | <b>\$989,263</b>             | <b>\$178,934</b>                  |
| <b>Business-Type Activities:</b>     |                             |                  |                    |                              |                                   |
| Revenue Bonds                        | \$456,165                   | \$72,365         | (\$73,385)         | \$455,145                    | \$17,138                          |
| (Premiums)/Discounts                 | 948                         | 2,461            | (3,457)            | (48)                         | (93)                              |
| Notes Payable                        | 17,175                      |                  | (4,871)            | 12,304                       | 2,900                             |
| Notes Payable to Component Unit      | 187,570                     |                  | (43,425)           | 144,145                      | 46,130                            |
| Total Bonds and Notes Payable        | 661,858                     | 74,826           | (125,138)          | 611,546                      | 66,075                            |
| Capital Leases                       | 539                         |                  | (328)              | 211                          | 165                               |
| Capital Leases to Component Unit     | 1,777                       |                  | (325)              | 1,452                        | 340                               |
| Compensated Absences                 | 22,648                      | 22,139           | (22,548)           | 22,239                       | 22,239                            |
| Net OPEB Obligation                  | 15,513                      | 2,778            | (1,148)            | 17,143                       |                                   |
| Other Long-Term Liabilities          | 633                         | 371              |                    | 1,004                        |                                   |
| <b>Total Business-Type Activity</b>  | <b>\$702,968</b>            | <b>\$100,114</b> | <b>(\$149,487)</b> | <b>\$653,595</b>             | <b>\$88,819</b>                   |
| <b>Component Units:</b>              |                             |                  |                    |                              |                                   |
| Revenue Bonds                        | \$2,346,417                 | \$326,186        | (\$566,980)        | \$2,105,623                  | \$167,590                         |
| (Premiums)/Discounts                 | 37,893                      | 15,953           | (7,776)            | 46,070                       | 6,804                             |
| Notes Payable                        | 27,519                      | 128              | (1,112)            | 26,535                       | 1,224                             |
| Total Bonds and Notes Payable        | 2,411,829                   | 342,267          | (575,868)          | 2,178,228                    | 175,618                           |
| Policy Claim Liabilities             | 9,236                       | 14,259           | (15,096)           | 8,399                        | 8,399                             |
| Claims and Judgments                 | 2,749                       |                  | (931)              | 1,818                        |                                   |
| <b>Total Component Unit Activity</b> | <b>\$2,423,814</b>          | <b>\$356,526</b> | <b>(\$591,895)</b> | <b>\$2,188,445</b>           | <b>\$184,017</b>                  |

Internal service funds predominantly serve the governmental funds. Accordingly, \$2.9 million of notes payable, \$0.8 million of compensated absences, \$18.0 million of policy claim liabilities, and \$0.3 million of net OPEB obligations were included in the governmental activities for internal service fund liabilities.

In the past the compensated absences liability attributable to governmental activities has been liquidated by the General Fund, special revenue funds, and internal service funds. Primarily, the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

Management funds; claims and judgments will be liquidated by the Health and Welfare and Transportation special revenue funds, and nonmajor special revenue funds; the net pension obligation will be liquidated by the General Fund; the net OPEB obligation will be liquidated by the General Fund, Health and Welfare and Transportation special revenue funds, nonmajor special revenue funds, and internal service funds.

#### G. Conduit Debt

##### Primary Government

The Idaho Water Resource Board has outstanding revenue bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the financed property and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the

indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Seven series of Water Resource bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of \$88.5 million.

##### Component Unit

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the financed property and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. Thirty-seven series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of \$221.0 million.

## NOTE 13. EQUITY

#### A. Restatement of Beginning Fund Balances and Net Position

The beginning net position of the nonmajor enterprise funds decreased by \$3.3 million due to a restatement of capital assets and the beginning cash balance.

The government-wide Statement of Activities includes the above restatements in the Business-Type Activities column. In addition, Governmental Activities beginning net position decreased by \$42.1 million due to adjustments to infrastructure construction-in-progress; and increased by \$0.5 million due to an overstatement of capital assets in prior year. The Idaho State Building Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standard required the Authority to restate beginning net position by a decrease of \$1.2 million.

During fiscal year 2013, the Idaho Bond Bank Authority, a discretely presented component unit, implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standard required the Authority to restate beginning net position by a decrease of \$3.8 million.

#### B. Net Position Restricted by Enabling Legislation

Net position is reported as restricted when constraints are placed on net position use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources and requires that those resources be used only for the purposes stipulated in the legislation.

The government-wide Statement of Net Position reported restricted net position of \$2.3 billion for governmental activities, \$982.7 million for business-type activities, and \$559.2 million for component units. These amounts include \$408.1 million of net position restricted by enabling legislation for governmental activities and \$460.4 million of net position restricted by enabling legislation for business-type activities.

#### C. Governmental Fund Balances – Restricted, Committed, and Assigned

The governmental funds report a hierarchy of fund balance classifications based primarily on the extent to

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

which the State is bound to honor limitations on the use of the funds' resources. When a fund has more than one revenue stream, equity is classified according to the materiality of any limitations on the fund.

*Restricted* fund balances represent those amounts that are legally restricted for specific purposes due to limitations imposed by external parties, such as creditors and grantors, or imposed through constitutional provisions or

enabling legislation.

*Committed* fund balances represent amounts that can only be used for a specific purpose imposed by formal action of the Legislature and signed by the Governor.

*Assigned* fund balances represent amounts the government intends to use for a specific purpose but are neither restricted nor committed.

The following schedule presents the nature and purpose of these fund balances at June 30, 2013:

#### Restricted, Committed, and Assigned Governmental Fund Balances

(dollars in thousands)

| Funds                                                   | Restricted       | Committed        | Assigned        | Total            |
|---------------------------------------------------------|------------------|------------------|-----------------|------------------|
| <b>General</b>                                          |                  |                  |                 |                  |
| Economic Development                                    |                  | \$6,926          | \$30,657        | \$37,583         |
| Education                                               | \$24,487         | 99,125           | 361             | 123,973          |
| Environmental Quality                                   |                  | 6,648            |                 | 6,648            |
| General Government Administrative Costs                 | 763              |                  | 19,355          | 20,118           |
| Millennium Endowment Fund                               | 179,739          |                  |                 | 179,739          |
| Municipal Revenue Sharing                               | 10,941           |                  |                 | 10,941           |
| Opportunity College Scholarships                        |                  | 19,105           |                 | 19,105           |
| Public Safety                                           |                  |                  | 6,186           | 6,186            |
| School Building Maintenance and Repair                  |                  | 21,607           |                 | 21,607           |
| State Building Construction and Maintenance             |                  | 41,828           |                 | 41,828           |
| Other Purposes                                          | 3,341            | 240              | 7,247           | 10,828           |
| <b>Total</b>                                            | <b>\$219,271</b> | <b>\$195,479</b> | <b>\$63,806</b> | <b>\$478,556</b> |
| <b>Health and Welfare</b>                               |                  |                  |                 |                  |
| Health and Human Services                               | \$1,995          | \$52             |                 | \$2,047          |
| <b>Total</b>                                            | <b>\$1,995</b>   | <b>\$52</b>      | <b>\$0</b>      | <b>\$2,047</b>   |
| <b>Transportation and Transportation Infrastructure</b> |                  |                  |                 |                  |
| GARVEE Debt Service                                     | \$35,679         |                  |                 | \$35,679         |
| Transportation Programs                                 | 155,059          | \$2,354          |                 | 157,413          |
| <b>Total</b>                                            | <b>\$190,738</b> | <b>\$2,354</b>   | <b>\$0</b>      | <b>\$193,092</b> |
| <b>Land Endowments</b>                                  |                  |                  |                 |                  |
| Endowment Fund Beneficiaries                            | \$245,243        |                  |                 | \$245,243        |
| <b>Total</b>                                            | <b>\$245,243</b> | <b>\$0</b>       | <b>\$0</b>      | <b>\$245,243</b> |
| <b>Nonmajor Special Revenue</b>                         |                  |                  |                 |                  |
| Agricultural Programs                                   | \$36,125         |                  |                 | \$36,125         |
| Corrections                                             | 3,506            | \$1,707          |                 | 5,213            |
| Courts                                                  | 1,380            | 3,231            |                 | 4,611            |
| Economic Development                                    | 31,674           |                  |                 | 31,674           |
| Education                                               |                  | 3,267            |                 | 3,267            |
| Employment Administration and Training Programs         | 13,608           | 14,016           |                 | 27,624           |
| Environmental Quality                                   | 37,110           | 21,799           | \$2,689         | 61,598           |
| Professional Licensing and Monitoring                   | 61,519           |                  |                 | 61,519           |
| Public Recreation                                       | 492              | 21,445           |                 | 21,937           |
| Public Safety                                           | 3,937            | 8,525            |                 | 12,462           |
| Soil Conservation Program                               | 10,223           |                  |                 | 10,223           |
| State Building Debt Service                             | 18,579           |                  |                 | 18,579           |
| State Land Management                                   | 16,583           |                  |                 | 16,583           |
| Tourism and Promotion                                   | 6,458            |                  |                 | 6,458            |
| Wildlife Management                                     | 26,400           |                  |                 | 26,400           |
| Workers Compensation                                    | 22,783           |                  |                 | 22,783           |
| Other Purposes                                          | 1,173            | 1,109            |                 | 2,282            |
| <b>Total</b>                                            | <b>\$291,550</b> | <b>\$75,099</b>  | <b>\$2,689</b>  | <b>\$369,338</b> |

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

#### D. Budget Stabilization

The Legislature has the authority to set aside resources through the appropriation process for use in an emergency or when budgetary imbalances occur. The State has the following budget stabilization arrangements:

- The *Higher Education Budget Stabilization Fund* can only be used for the maintenance, use, and support of the colleges and universities subject to appropriation by the Legislature. Idaho Code Section 33-3726 requires interest earnings from the College and University Fund and other amounts provided for by law to be transferred into the Higher Education Budget Stabilization Fund. As of June 30, 2013, the fund balance was \$0.9 million.
- The *Budget Stabilization Fund* was created to cover General Fund revenue shortfalls, expenses incurred because of a major disaster declared by the Governor, or to provide any appropriated one-time tax relief payments to the citizens of Idaho. Idaho Code Section 57-814 requires that receipts to the General Fund for the fiscal year just ending that have exceeded the previous fiscal year's receipts by more than 4 percent be transferred to the Budget Stabilization Fund. The transfers should not be more than 1 percent of actual General Fund receipts for the fiscal year just ended. A concurrent resolution by the majority of the Legislature can require the State Controller to reduce the transfer. The balance in the Budget Stabilization Fund shall not exceed more than 5 percent of total General Fund receipts for the fiscal year just ended. Appropriations from the Budget Stabilization Fund are limited to 50 percent after the fund balance has reached the 5 percent of General Fund receipts. The Board of Examiners has authority to transfer unencumbered moneys from the Budget Stabilization

Fund to the General Fund, should General Fund moneys be insufficient to meet General Fund appropriations for that same fiscal year. Such transfers are limited to the amount of the insufficiency or one-half of 1 percent, whichever is less. Idaho Code Section 67-3520 requires certain distributions be made from the cigarette and tobacco product tax revenues, with the remainder transferred to the Budget Stabilization Fund. As of June 30, 2013, the fund balance was \$135.2 million.

- The *Public Education Stabilization Fund* may be used to offset declining distributions from the public school earnings reserve, declining endowment distributions, and shortfalls in discretionary funding as spelled out in Idaho Code Section 33-1018. The fund may also be used to cover any proportional share of the public schools' General Fund budgetary holdbacks, for state matching funds for the School District Building Fund, or for other purposes as stated in appropriation bills. Any accumulated balance greater than 8.34 percent of the current year's appropriation must be transferred to the Bond Levy Equalization Fund. Additions to the Public Education Stabilization Fund are from interest, transfers, and appropriations. Idaho Code Section 33-905 requires any excess balance over the amount needed for school building maintenance and discretionary spending be transferred to the Public Education Stabilization Fund. As of June 30, 2013, the fund balance was \$49.0 million.
- Idaho Code Section 26-31-110 requires that the Mortgage Recovery Fund, part of the Regulatory fund, maintain a minimum balance of \$1.5 million. The Mortgage Recovery Fund account is used to reimburse persons who have been awarded damages resulting from violations of the Idaho Residential Mortgage Practices Act.

#### NOTE 14. DONOR-RESTRICTED ENDOWMENTS

##### *Primary Government*

The Land Endowments fund has a nonexpendable permanent corpus and an earnings reserve account; the earnings reserve is used to receive earnings and to pay beneficiaries and expenses. The Endowment Fund Investment Board (EFIB) invests the revenues generated from the management and/or sale of endowment lands. The Board of Land Commissioners (Land Board) and the EFIB spend the net appreciation and other revenues in accordance with Idaho Code Title 57 Chapter 7 and Title 67 Chapter 16. Net appreciation on investments of the donor-restricted endowments available for

expenditure for the Land Endowments fund was \$24.9 million, which is included in net position restricted for permanent trust-expendable. The Land Board has set the current distribution policy for the endowments at 5 percent of the three-year rolling average permanent fund balances. EFIB may adjust the distributions depending on the amount in the earnings reserve accounts, transfers to the permanent funds, and other factors.

The Department of Parks and Recreation has a \$1.1 million donor-restricted endowment for the preservation, operation, and management of the Ritter

---

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2013**

---

Island Unit of the Thousand Springs Complex. The Department of Parks and Recreation also has a \$2.4 million donor-restricted endowment for the management of the Trail of the Coeur d'Alenes. Only earnings from investments may be expended by the Idaho Parks and Recreation Board; although no less than 3 percent of the total value of the endowment shall be designated as earnings, even if such designation temporarily reduces the principal. The Board maintains sole discretion in determining the amount of earnings to be distributed to the Department of Parks and Recreation and to be deposited to increase the principal of the endowment. For the fiscal year ended, net appreciation available for expenditure was \$0.2 million, which is reported in net position restricted for other purposes.

***Component Units***

Endowments for the Boise State University Foundation, Eastern Idaho Technical College Foundation, Idaho State University Foundation, Lewis-Clark State College Foundation, and University of Idaho Foundation are managed in accordance with Idaho Code Title 33 Chapter 50 and rules adopted by their boards as specified below.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments had net appreciation of \$5.6 million during the fiscal year. Accumulated earnings are reported in net position restricted for permanent trust-expendable. The Foundation has set a "total return" spending policy that specifies 4 percent of the three-year rolling average of the ending market value of each individual account be made available for expenditure toward the established purpose.

The Eastern Idaho Technical College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of scholarships at the College. Accumulated earnings are reported in net position

restricted for permanent trust-expendable. The Foundation determines the amount to be paid out as scholarships to the College on an annual basis.

The Idaho State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments had net appreciation of \$2.5 million during the fiscal year. Accumulated earnings are reported in net position restricted for permanent trust-expendable. Donor-imposed restrictions requiring earnings to be contributed back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies. The Foundation has a policy of appropriating for annual distribution 4 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the current fiscal year.

The Lewis-Clark State College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. The endowments had net appreciation of \$0.6 million during the fiscal year. Accumulated earnings are reported in net position restricted for permanent trust-expendable. The Foundation established a spending rate of 4 percent of the five-year rolling average of the market value of each endowment account as of December 31 for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments had net appreciation of \$17.5 million during the fiscal year. Unrealized appreciation is included in net position restricted for permanent trust-nonexpendable. The Foundation Board of Directors establishes an annual spending rate. For fiscal year 2013, the spending rate was set at 4.5 percent of the three-year rolling average of the endowment's monthly fair market value.

---

**NOTE 15. LITIGATION, CONTINGENCIES, COMMITMENTS, AND ENCUMBRANCES****A. Litigation and Contingencies*****Primary Government***

In November 1998, a Master Settlement Agreement was reached between the five largest tobacco manufacturers and 46 states. Since then more than 40 tobacco companies have joined the Agreement. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to

numerous adjustments. The State received cash payments of \$24.9 million during fiscal year 2013. A number of tobacco manufacturers allege that Idaho has not diligently enforced the Idaho Master Settlement Agreement Act, and therefore should have one or more of its annual payments eliminated. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation, until resolved, threatens one or more future payments.

---

**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

---

The State is also a defendant in numerous other legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. The State is unable to estimate the ultimate outcome or liability, if any, in respect to the various proceedings. However, the State believes that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Idaho Code Section 33-5303 requires the State to guarantee the bonds of any school district qualified by the State Treasurer. If the State is required to make the bond payment of any school district, the State will redirect distributions normally made to the school district to reimburse the State. As of June 30, 2013, the principal amount of qualified school district bonds outstanding was \$761.7 million, and the interest amount outstanding was \$238.9 million.

Idaho Code Section 67-8716 requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any municipality, the State will redirect distributions normally made to the municipality to reimburse the State. As of June 30, 2013, the Idaho Bond Bank Authority had a principal amount of qualified municipal bonds outstanding of \$351.2 million, and the interest amount outstanding was \$168.0 million.

The State receives significant financial assistance from the federal government in the form of grants. The receipt of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and is subject to financial and compliance audits. Questioned costs as a result of these audits may be disallowed after review by federal agencies. The State's opinion is that these questioned costs, if any, will not have a significant effect on the financial position of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The State's opinion is that these refunds, if any, will not have a significant effect on the financial position of the State.

**Component Units**

The Idaho Housing and Finance Association is a defendant in a case brought by the Lehman Brothers Bankruptcy Estate in the Southern Federal District Court

of New York. Lehman Brothers alleges that the Association should have paid a higher interest rate swap agreement termination amount and has claimed \$29.9 million in the case. In the opinion of the Association's legal counsel, the Association has a strong defense. The Association management believes any potential settlement will not have a material effect on the Association's financial position.

**B. Commitments****Primary Government**

The Idaho Transportation Department (ITD) has a total of \$198.2 million in outstanding commitments for infrastructure and \$26.1 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay the Idaho Housing and Finance Association \$731.7 million in principal and \$409.1 million in interest related to Grant Anticipation Revenue Vehicle (GARVEE) bonds for construction costs to improve and enhance the State's highway infrastructure. To date, the ITD has borrowed \$675.0 million against the total; of that amount, \$124.3 million has been repaid, resulting in a \$550.7 million liability being recorded. Details can be found in Note 12.

The Department of Administration has a total of \$16.2 million in outstanding commitments for capital asset-related construction projects underway at year-end. The Department also has a contract with Education Network of America to provide network services for schools connected to the Idaho Education Network. The network enables students and communities to receive classes and courses from education providers. The contract will expire in January 2019 and the total remaining cost is \$13.3 million.

The colleges and universities estimate costs of \$35.0 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide financing sources for the construction of publicly owned wastewater and drinking water treatment facilities. The Clean Water Loan fund had loan commitments of \$128.9 million and the Drinking Water Loan fund had commitments of \$23.4 million. These loan commitments will be funded either from new capitalization grants, generally 80 percent federal funds and 20 percent state matching dollars, or from accumulated repayments and investment revenues, which are perpetually appropriated for this purpose.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2013

The Department of Correction has a contract with Corrections Corporation of America to operate a 2,080-bed prison. The estimated cost for fiscal year 2014 is \$29.8 million. The Department has a contract with Corizon, Inc. to provide medical services for inmates. The contract will expire in December 2013. The estimated cost for fiscal year 2014 is \$27.2 million. The Department also has a contract with Management and Training Corporation to operate a 432-bed substance abuse treatment prison facility. The Department has committed to pay monthly per diems based on offender count. The fiscal year 2014 estimated cost is \$9.3 million.

The Idaho State Tax Commission entered into a Software Maintenance and Configuration Assistance Agreement to maintain the Commission's GENTAX application. The agreement is effective through June 30, 2020, with a remaining cost of \$5.7 million.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from

\$90 to \$360 per day. The estimated cost for fiscal year 2014 is \$5.7 million.

The Dairy Products Commission annually commits to participate in a national unified marketing plan for dairy products. The Commission's 2013 commitment to nutrition, product, and ingredient manufacturing research and marketing activities is \$5.6 million.

The State Lottery maintains a contract with INTRALOT, Inc. through February 18, 2014, to pay 1.98 percent of total net sales and a \$3,466 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

The Public Employee Retirement System of Idaho has a total of \$415.7 million in outstanding commitments for investments to private equity partnerships.

#### Component Units

The Idaho Housing and Finance Association has commitments to purchase \$227.5 million of single-family mortgages. The Association has commitments to sell or secure \$186.0 million of single-family mortgages.

#### C. Encumbrances

Encumbrances within the restricted, committed, and assigned fund balances of the governmental funds are as follows (*dollars in thousands*):

|              | <b>General Fund</b> | <b>Health and<br/>Welfare</b> | <b>Transportation</b> | <b>Nonmajor<br/>Governmental</b> |
|--------------|---------------------|-------------------------------|-----------------------|----------------------------------|
| Encumbrances | \$24,622            | \$2,047                       | \$29,510              | \$21,418                         |



#### NOTE 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the following events occurred:

##### Primary Government

On July 1, 2013, the Office of the State Treasurer issued tax anticipation notes in the amount of \$500.0 million. The notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues of the State to be

collected during the fourth quarter of the 2014 fiscal year. The notes mature on June 30, 2014.

##### Component Units

In October 2013 the Idaho Housing and Finance Association issued 2013 Series A Refunding Bonds in the amount of \$142.1 million. Proceeds from the bonds will be used to repay prior bonds.

# REQUIRED SUPPLEMENTARY INFORMATION



*Grain Elevator* in Tetonia, Idaho

Photo Courtesy of Mike Hargis

## Required Supplementary Information

## Budgetary Comparison Schedule

## General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                          | General            |                    |                                         |                                  |
|----------------------------------------------------------|--------------------|--------------------|-----------------------------------------|----------------------------------|
|                                                          | Original<br>Budget | Final<br>Budget    | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>with Final<br>Budget |
| <b>REVENUES</b>                                          |                    |                    |                                         |                                  |
| Sales Tax                                                | \$1,308,589        | \$1,308,589        | \$1,308,589                             |                                  |
| Individual and Corporate Taxes                           | 1,831,847          | 1,831,847          | 1,831,847                               |                                  |
| Other Taxes                                              | 62,321             | 62,321             | 62,321                                  |                                  |
| Licenses, Permits, and Fees                              | 19,489             | 19,489             | 19,489                                  |                                  |
| Sale of Goods and Services                               | 25,782             | 25,782             | 25,782                                  |                                  |
| Grants and Contributions                                 | 24,989             | 24,989             | 24,989                                  |                                  |
| Investment Income                                        | 15,910             | 15,910             | 15,910                                  |                                  |
| Tobacco Settlement                                       | 24,912             | 24,912             | 24,912                                  |                                  |
| Other Income                                             | 26,508             | 26,508             | 26,508                                  |                                  |
| <b>Total Revenues</b>                                    | <b>\$3,340,347</b> | <b>\$3,340,347</b> | <b>3,340,347</b>                        |                                  |
| <b>EXPENDITURES</b>                                      |                    |                    |                                         |                                  |
| General Government                                       | \$834,202          | \$835,379          | 750,359                                 | \$85,020                         |
| Public Safety and Correction                             | 266,311            | 274,943            | 269,325                                 | 5,618                            |
| Health and Human Services                                | 37,527             | 37,527             | 37,473                                  | 54                               |
| Education                                                | 1,767,475          | 1,772,086          | 1,723,309                               | 48,777                           |
| Economic Development                                     | 49,437             | 49,606             | 42,731                                  | 6,875                            |
| Natural Resources                                        | 27,839             | 27,854             | 37,005                                  | (9,151)                          |
| <b>Total Expenditures</b>                                | <b>\$2,982,791</b> | <b>\$2,997,395</b> | <b>2,860,202</b>                        | <b>\$137,193</b>                 |
| <b>Revenues Over (Under) Expenditures</b>                |                    |                    | <b>480,145</b>                          |                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                    |                    |                                         |                                  |
| Capital Lease Acquisitions                               |                    |                    | 178                                     |                                  |
| Sale of Capital Assets                                   |                    |                    | 305                                     |                                  |
| Transfers In                                             |                    |                    | 209,169                                 |                                  |
| Transfers Out                                            |                    |                    | (883,204)                               |                                  |
| <b>Total Other Financing Sources (Uses)</b>              |                    |                    | <b>(673,552)</b>                        |                                  |
| <b>Revenues and Other Financing Sources Over (Under)</b> |                    |                    | <b>(193,407)</b>                        |                                  |
| <b>Expenditures and Other Financing Uses</b>             |                    |                    |                                         |                                  |
| <b>Reconciling Items</b>                                 |                    |                    |                                         |                                  |
| Changes Affected by Accrued Revenues                     |                    |                    | (251,574)                               |                                  |
| Changes Affected by Accrued Expenditures                 |                    |                    | 641,982                                 |                                  |
| <b>Fund Balances - Beginning of Year</b>                 |                    |                    | <b>686,663</b>                          |                                  |
| <b>Fund Balances - End of Year</b>                       |                    |                    | <b>\$883,664</b>                        |                                  |

The accompanying note is an integral part of this financial schedule.

| Health and Welfare |                    |                                         |                                  | Transportation     |                  |                                         |                                  |
|--------------------|--------------------|-----------------------------------------|----------------------------------|--------------------|------------------|-----------------------------------------|----------------------------------|
| Original<br>Budget | Final<br>Budget    | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>with Final<br>Budget | Original<br>Budget | Final<br>Budget  | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>with Final<br>Budget |
| \$39,363           | \$39,363           | \$39,363                                |                                  | \$225,242          | \$225,242        | \$225,242                               |                                  |
| 22,647             | 22,647             | 22,647                                  |                                  | 130,067            | 130,067          | 130,067                                 |                                  |
| 146,941            | 146,941            | 146,941                                 |                                  | 6,040              | 6,040            | 6,040                                   |                                  |
| 1,506,550          | 1,506,550          | 1,506,550                               |                                  | 310,954            | 310,954          | 310,954                                 |                                  |
| 915                | 915                | 915                                     |                                  | 3,290              | 3,290            | 3,290                                   |                                  |
| 17,811             | 17,811             | 17,811                                  |                                  | 2,267              | 2,267            | 2,267                                   |                                  |
| <u>\$1,734,227</u> | <u>\$1,734,227</u> | <u>1,734,227</u>                        |                                  | <u>\$677,860</u>   | <u>\$677,860</u> | <u>677,860</u>                          |                                  |
| \$3,233            | \$3,233            | 3,233                                   |                                  |                    |                  |                                         |                                  |
| 2,379,927          | 2,403,607          | 2,326,258                               | \$77,349                         |                    |                  |                                         |                                  |
|                    |                    |                                         |                                  | \$905,364          | \$907,152        | 698,527                                 | \$208,625                        |
| <u>\$2,383,160</u> | <u>\$2,406,840</u> | <u>2,329,491</u>                        | <u>\$77,349</u>                  | <u>\$905,364</u>   | <u>\$907,152</u> | <u>698,527</u>                          | <u>\$208,625</u>                 |
|                    |                    | (595,264)                               |                                  |                    |                  | (20,667)                                |                                  |
|                    |                    | 67                                      |                                  |                    |                  | 13,876                                  |                                  |
|                    |                    | 610,602                                 |                                  |                    |                  |                                         |                                  |
|                    |                    | (39,582)                                |                                  |                    |                  | (15,825)                                |                                  |
|                    |                    | <u>571,087</u>                          |                                  |                    |                  | <u>(1,949)</u>                          |                                  |
|                    |                    | (24,177)                                |                                  |                    |                  | (22,616)                                |                                  |
|                    |                    | 252,337                                 |                                  |                    |                  | 1,745                                   |                                  |
|                    |                    | (269,700)                               |                                  |                    |                  | (2,031)                                 |                                  |
|                    |                    | 41,599                                  |                                  |                    |                  | 235,423                                 |                                  |
|                    |                    | <u>\$59</u>                             |                                  |                    |                  | <u>\$212,521</u>                        |                                  |

---

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2013**

---

**NOTE TO BUDGETARY REPORTING****Budgetary Process and Control**

Budgets are adopted in accordance with Idaho Code Title 67 Chapter 35. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, the capital projects fund, enterprise funds, internal service funds, earnings of the permanent fund, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures which can be made to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature. Appropriations are subject to the provisions of Idaho Code Title 67 Chapter 36.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The Governor has line item veto power over appropriation bills. Approval by two-thirds of both houses is required to override a governor's veto. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or become law without the Governor's signature within five days after being presented to him, per Idaho Constitution Article IV Sections 10 and 11.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation. The Governor may call extraordinary sessions as provided by Article IV Section 9 of the Idaho Constitution.

Limitations exist regarding the extent to which management may modify an appropriation. Legislative approval is required for the transfer of appropriations from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code Section 67-3511(1) allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per Idaho Code Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

Idaho Code Section 67-3511(2) allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. The DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

The General Fund's natural resources function had a negative variance stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

**Budgetary Basis of Accounting**

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are restricted or committed for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles (GAAP). The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations,

---

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2013**

---

Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The reconciliation at the bottom of the Budgetary Comparison Schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the Budgetary Comparison Schedule

reflects budgeted revenues as being equal to actual revenues. The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be viewed online at [www.sco.idaho.gov](http://www.sco.idaho.gov). Look under "Accounting" and then "Financial Reports and Public Information."

---

**INFRASTRUCTURE – MODIFIED APPROACH REPORTING**

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the State must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet all of the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Annually estimate the cost to maintain and preserve the assets at the condition level established
- Document the condition level at which the assets are being preserved and maintained

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 12,222 lane miles.

**Measurement Scale**

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using three pavement-condition data elements: International Roughness Index, rutting depth, and pavement distress, collected as follows:

*The International Roughness Index (IRI) is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. Idaho has adopted a*

roughness index (RI) to correlate the measured IRI of the road surface to a 0.0-5.0 scale, with 0.0 being extremely rough and 5.0 being smooth.

*Rutting Depth* is a primary indicator of pavement distress caused by fatigue in the roadway wheelpath. The ITD annually collects longitudinal profiles and rutting depths of all pavement management sections statewide.

The ITD uses a Class II-type profilometer to measure IRI and rutting depth. A Profiler Van mounted with a profilometer, laser sensors, and personal computers travels at normal posted speeds and collects and stores road-profile information at one-tenth of a foot intervals.

*Pavement Distress (Cracking)* is the final important indicator of pavement condition. The Profiler Van used to collect roughness and rutting information also collects video of the entire state highway system each year. The video equipment records images of both the forward facing view and a downward facing view so that pavement distress is easily seen. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each pavement management section. A cracking index (CI) is calculated for each section. The CI rating is very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two functional class categories: interstates and arterials, and collectors. The surface condition is measured by Roughness Index (RI), Rutting Depth, and Crack Index (CI). Each category has its own thresholds, which differ slightly depending on the assigned functional class. The measurement ranges for each of these conditions is shown in the following chart:

## Required Supplementary Information

### For the Fiscal Year Ended June 30, 2013

| Condition: Roughness Index |                          |                | Condition: Rutting |                          |              | Condition: Cracking Index |                          |                |
|----------------------------|--------------------------|----------------|--------------------|--------------------------|--------------|---------------------------|--------------------------|----------------|
| Pavement Condition         | Functional Class         |                | Pavement Condition | Functional Class         |              | Pavement Condition        | Functional Class         |                |
|                            | Interstate and Arterials | Collectors     |                    | Interstate and Arterials | Collectors   |                           | Interstate and Arterials | Collectors     |
| <b>Good</b>                | RI > 3.0                 | RI > 3.0       | <b>Good</b>        | 0.00"- 0.24"             | 0.00"- 0.49" | <b>Good</b>               | CI > 3.0                 | CI > 3.0       |
| <b>Fair</b>                | 2.5 ≤ RI ≤ 3.0           | 2.0 ≤ RI ≤ 3.0 | <b>Fair</b>        | 0.25"- 0.49"             | 0.50"- 0.99" | <b>Fair</b>               | 2.5 ≤ CI ≤ 3.0           | 2.0 ≤ CI ≤ 3.0 |
| <b>Poor</b>                | 2.0 ≤ RI < 2.5           | 1.5 ≤ RI < 2.0 | <b>Poor</b>        | 0.50"- 0.74"             | 1.00"- 1.49" | <b>Poor</b>               | 2.0 ≤ CI < 2.5           | 1.5 ≤ CI < 2.0 |
| <b>Very Poor</b>           | RI < 2.0                 | RI < 1.5       | <b>Very Poor</b>   | ≥ 0.75"                  | ≥ 1.50"      | <b>Very Poor</b>          | CI < 2.0                 | CI < 1.5       |

#### Established Condition Level

The ITD has established the condition level that no more than 30 percent of pavement shall be in poor or very poor condition. In calendar year 2012 the assessed level was maintained at 14 percent. Infrastructure preservation and

restoration is a priority for the State. As a result of this focus, the ITD has provided all available funds to meet these goals.

#### Assessed Condition Ratings of State Roadways

##### Most Recent Five Complete Condition Assessments Percent of Total Lane Miles per Pavement Condition

|                         | 2012          |             | 2011          |             | 2010          |             | 2009          |             | 2008          |             |
|-------------------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|
| Good                    | 7,614         | 62.3%       | 7,748         | 63.4%       | 7,531         | 62.8%       | 7,226         | 60.3%       | 7,401         | 62.0%       |
| Fair                    | 2,946         | 24.1%       | 2,849         | 23.3%       | 2,544         | 21.2%       | 2,653         | 22.1%       | 2,203         | 18.4%       |
| Poor                    | 1,479         | 12.1%       | 1,451         | 11.9%       | 1,651         | 13.8%       | 1,589         | 13.3%       | 1,779         | 14.9%       |
| Very Poor               | 183           | 1.5%        | 174           | 1.4%        | 271           | 2.2%        | 521           | 4.3%        | 561           | 4.7%        |
| <b>Total Lane Miles</b> | <b>12,222</b> | <b>100%</b> | <b>12,222</b> | <b>100%</b> | <b>11,997</b> | <b>100%</b> | <b>11,989</b> | <b>100%</b> | <b>11,944</b> | <b>100%</b> |

#### Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands*):

|           | FY2014    | FY2013    | FY2012    | FY2011    | FY2010    | FY2009   | FY2008   |
|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|
| Estimated | \$122,831 | \$104,612 | \$110,125 | \$170,828 | \$144,000 | \$85,000 | \$90,800 |
| Actual    |           | 125,839   | 161,290   | 137,922   | 111,489   | 103,720  | 108,624  |

Actual costs were more than estimated costs in fiscal year 2013 by 20.3 percent.

#### PENSION – SCHEDULE OF FUNDING PROGRESS

Judges' Retirement Fund (*dollars in thousands*):

|           |           | (2)       |           |           |         | (6)           |
|-----------|-----------|-----------|-----------|-----------|---------|---------------|
|           | (1)       | Actuarial | (3)       | (4)       | (5)     | UAAL as a     |
| Actuarial | Actuarial | Liability | Unfunded  | Funded    | Annual  | Percentage of |
| Valuation | Value of  | (AAL)     | AAL       | Ratios    | Covered | Covered       |
| Date      | Assets    | Entry Age | (UAAL)    | (1) : (2) | Payroll | Payroll       |
|           |           |           | (2) - (1) |           |         | (3) : (5)     |
| 6/30/11   | \$63,140  | \$77,228  | \$14,088  | 81.8%     | \$5,700 | 247.2%        |
| 6/30/12   | \$60,699  | \$73,656  | \$12,957  | 82.4%     | \$5,847 | 221.6%        |
| 7/1/13    | \$66,719  | \$80,390  | \$13,671  | 83.0%     | \$5,868 | 233.0%        |

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2013**
**OTHER POSTEMPLOYMENT BENEFITS**
**Schedule of Funding Progress (dollars in thousands):**

| OPEB Plan                       | Actuarial Valuation Date | (1)<br>Actuarial Value of Assets | (2)<br>Actuarial Accrued Liability (AAL) | (3)<br>Unfunded AAL (UAAL) (2) - (1) | (4)<br>Funded Ratios (1) : (2) | (5)<br>Annual Covered Payroll | (6)<br>UAAL as a Percentage of Covered Payroll (3) : (5) |
|---------------------------------|--------------------------|----------------------------------|------------------------------------------|--------------------------------------|--------------------------------|-------------------------------|----------------------------------------------------------|
| Retiree Healthcare              | 7/1/2010                 | \$0                              | \$22,551                                 | \$22,551                             | 0.0                            | \$763,295                     | 3.0 %                                                    |
|                                 | 7/1/2011                 | \$0                              | \$23,508                                 | \$23,508                             | 0.0                            | \$755,116                     | 3.1 %                                                    |
|                                 | 7/1/2012                 | \$0                              | \$15,751                                 | \$15,751                             | 0.0                            | \$811,758                     | 1.9 %                                                    |
| Long-Term Disability Healthcare | 7/1/2010                 | \$0                              | \$8,169                                  | \$8,169                              | 0.0                            | \$763,295                     | 1.1 %                                                    |
|                                 | 7/1/2011                 | \$0                              | \$8,390                                  | \$8,390                              | 0.0                            | \$755,116                     | 1.1 %                                                    |
|                                 | 7/1/2012                 | \$0                              | \$7,155                                  | \$7,155                              | 0.0                            | \$811,758                     | 0.9 %                                                    |
| Life Insurance                  | 7/1/2010                 | \$0                              | \$9,089                                  | \$9,089                              | 0.0                            | \$763,295                     | 1.2 %                                                    |
|                                 | 7/1/2011                 | \$0                              | \$8,753                                  | \$8,753                              | 0.0                            | \$755,116                     | 1.2 %                                                    |
|                                 | 7/1/2012                 | \$0                              | \$6,767                                  | \$6,767                              | 0.0                            | \$811,758                     | 0.8 %                                                    |
| Income                          | 7/1/2010                 | \$0                              | \$5,208                                  | \$5,208                              | 0.0                            | \$763,295                     | 0.7 %                                                    |
|                                 | 7/1/2011                 | \$0                              | \$4,689                                  | \$4,689                              | 0.0                            | \$755,116                     | 0.6 %                                                    |
|                                 | 7/1/2012                 | \$0                              | \$4,065                                  | \$4,065                              | 0.0                            | \$811,758                     | 0.5 %                                                    |
| Retiree Life Insurance          | 7/1/2010                 | \$0                              | \$36,700                                 | \$36,700                             | 0.0                            | \$244,743                     | 15.0 %                                                   |
|                                 | 7/1/2011                 | \$0                              | \$39,161                                 | \$39,161                             | 0.0                            | \$253,915                     | 15.4 %                                                   |
|                                 | 7/1/2012                 | \$0                              | \$39,563                                 | \$39,563                             | 0.0                            | \$264,491                     | 15.0 %                                                   |
| University of Idaho             | 7/1/2010                 | \$19,159                         | \$74,563                                 | \$55,404                             | 25.7                           | \$121,834                     | 45.5 %                                                   |
|                                 | *7/1/2011                | \$21,774                         | \$73,240                                 | \$51,466                             | 29.7                           | \$123,237                     | 41.8 %                                                   |
|                                 | 7/1/2012                 | \$24,753                         | \$63,465                                 | \$38,712                             | 39.0                           | \$123,592                     | 31.3 %                                                   |

\*Actuarial Value of Asset for University of Idaho restated due to adjustment of bank statement.

**Schedule of Employer Contributions (dollars in thousands):**

| OPEB Plan              | Fiscal Year Ended | Annual Required Contribution (ARC) | Actual Contributions | Actual Contributions as Percentage of ARC |
|------------------------|-------------------|------------------------------------|----------------------|-------------------------------------------|
| Retiree Life Insurance | 6/30/2011         | \$2,912                            | \$545                | 18.72%                                    |
|                        | 6/30/2012         | \$3,058                            | \$542                | 17.72%                                    |
|                        | 6/30/2013         | \$3,269                            | \$535                | 16.37%                                    |
| University of Idaho    | 6/30/2011         | \$5,250                            | \$5,620              | 107.05%                                   |
|                        | 6/30/2012         | \$4,806                            | \$5,201              | 108.22%                                   |
|                        | 6/30/2013         | \$3,753                            | \$4,404              | 117.35%                                   |

# COMBINING FINANCIAL STATEMENTS



*Old Cascade Barn in Cascade, Idaho*

Photo Courtesy of Talo Pinto

**NONMAJOR GOVERNMENTAL FUNDS** include nonmajor special revenue funds, and a capital projects fund. The following provides a brief description of the nonmajor governmental funds.

---

**NONMAJOR SPECIAL REVENUE FUNDS** account for specific revenues that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**The Agriculture and Natural Resources Fund** accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. The major sources of funding are dedicated user fees, the sale of goods and services, and federal grants.

**The Regulatory Fund** accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

**The Fish and Game Fund** accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and perpetuating and managing the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

**The Federal Fund** accounts for a portion of the financial position and operations associated with federal grants received by the State. Some federal grants are included in other funds of the State.

**The Federal Stimulus Fund** accounts for a portion of the financial position and operations associated with the federal stimulus awards received by the State. Some stimulus awards are included in other funds of the State.

**The Miscellaneous Fund** accounts for the financial position and operations associated with general government services. The major sources of funding are provided by the sale of goods and services, miscellaneous taxes, and other revenues.

**The Building Authority** accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major sources of funding are the sale of goods and services and bonds issued. The Building Authority is a blended component unit.

**THE CAPITAL PROJECTS FUND** accounts for specific revenues that are restricted, committed, or assigned to finance construction of capital assets.

**The Transportation Infrastructure Fund** accounts for the financial position and operations associated with the construction and financing of roads, bridges, and rest areas. The major sources of funding are provided by federal highway funds and notes issued.

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2013**  
*(dollars in thousands)*

|                                            | Special Revenue                         |                 |                  |                 |
|--------------------------------------------|-----------------------------------------|-----------------|------------------|-----------------|
|                                            | Agriculture<br>and Natural<br>Resources | Regulatory      | Fish and<br>Game | Federal         |
| <b>ASSETS</b>                              |                                         |                 |                  |                 |
| Cash and Cash Equivalents                  | \$3,550                                 | \$1,665         |                  |                 |
| Pooled Cash and Investments                | 76,270                                  | 58,123          | \$7,869          | \$11,309        |
| Investments                                | 26,429                                  | 8,363           | 4,523            | 2,733           |
| Accounts Receivable, Net                   | 2,016                                   | 17              |                  | 90              |
| Taxes Receivable, Net                      | 2,756                                   |                 |                  |                 |
| Interfund Receivables                      | 18                                      |                 | 74               | 278             |
| Due from Other Entities                    | 2,615                                   |                 | 9,021            | 52,107          |
| Inventories and Prepaid Items              | 2,544                                   | 401             | 6,925            | 1,027           |
| Loans, Notes, and Pledges Receivable, Net  | 4,671                                   |                 | 10               |                 |
| Other Assets                               | 196                                     | 39              | 65               | 14              |
| Restricted Assets:                         |                                         |                 |                  |                 |
| Cash and Cash Equivalents                  | 37,354                                  | 1,060           | 3,835            | 28,932          |
| Investments                                | 2,354                                   |                 | 10,943           |                 |
| <b>Total Assets</b>                        | <b>\$160,773</b>                        | <b>\$69,668</b> | <b>\$43,265</b>  | <b>\$96,490</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                         |                 |                  |                 |
| <b>Liabilities</b>                         |                                         |                 |                  |                 |
| Accounts Payable                           | \$3,592                                 | \$88            | \$971            | \$38,985        |
| Payroll and Related Liabilities            | 2,856                                   | 1,497           | 2,428            | 4,285           |
| Interfund Payables                         | 93                                      | 7               | 15               | 1,579           |
| Deferred Revenue                           | 3,664                                   | 3,595           | 3,264            | 21,645          |
| Amounts Held in Trust for Others           | 570                                     | 2,042           | 5                |                 |
| Other Accrued Liabilities                  | 1,137                                   | 519             | 391              | 334             |
| <b>Total Liabilities</b>                   | <b>11,912</b>                           | <b>7,748</b>    | <b>7,074</b>     | <b>66,828</b>   |
| <b>Fund Balances</b>                       |                                         |                 |                  |                 |
| Nonspendable:                              |                                         |                 |                  |                 |
| Permanent Trusts                           |                                         |                 | 2,866            |                 |
| Inventories and Prepaid Items              | 2,544                                   | 401             | 6,925            | 1,027           |
| Noncurrent Receivables                     | 18                                      |                 |                  |                 |
| Restricted                                 | 100,366                                 | 61,519          | 26,400           | 28,635          |
| Committed                                  | 43,244                                  |                 |                  |                 |
| Assigned                                   | 2,689                                   |                 |                  |                 |
| <b>Total Fund Balances</b>                 | <b>148,861</b>                          | <b>61,920</b>   | <b>36,191</b>    | <b>29,662</b>   |
| <b>Total Liabilities and Fund Balances</b> | <b>\$160,773</b>                        | <b>\$69,668</b> | <b>\$43,265</b>  | <b>\$96,490</b> |

| Capital Projects    |               |                       |                                  |           |
|---------------------|---------------|-----------------------|----------------------------------|-----------|
| Federal<br>Stimulus | Miscellaneous | Building<br>Authority | Transportation<br>Infrastructure | Total     |
|                     |               | \$1,685               |                                  | \$6,900   |
| \$517               | \$71,312      |                       | \$7                              | 225,407   |
|                     | 17,490        | 1,284                 |                                  | 60,822    |
|                     | 7,855         |                       | 5,736                            | 15,714    |
|                     | 1,327         |                       |                                  | 4,083     |
|                     | 347           |                       |                                  | 717       |
|                     |               |                       |                                  | 63,743    |
|                     | 1,880         |                       |                                  | 12,777    |
|                     |               |                       |                                  | 4,681     |
|                     | 519           | 36                    |                                  | 869       |
|                     |               |                       |                                  |           |
|                     | 31            | 11,816                |                                  | 83,028    |
|                     |               | 3,899                 |                                  | 17,196    |
| \$517               | \$100,761     | \$18,720              | \$5,743                          | \$495,937 |
|                     |               |                       |                                  |           |
|                     | \$1,059       | \$141                 | \$3,908                          | \$48,744  |
|                     | 2,489         |                       |                                  | 13,555    |
|                     | 68            |                       |                                  | 1,762     |
|                     | 7,718         |                       | 1,829                            | 41,715    |
|                     |               |                       |                                  | 2,617     |
|                     | 158           |                       |                                  | 2,539     |
|                     | 11,492        | 141                   | 5,737                            | 110,932   |
|                     |               |                       |                                  |           |
|                     |               |                       |                                  | 2,866     |
|                     | 1,880         |                       |                                  | 12,777    |
|                     |               |                       |                                  | 18        |
| \$517               | 55,534        | 18,579                | 6                                | 291,556   |
|                     | 31,855        |                       |                                  | 75,099    |
|                     |               |                       |                                  | 2,689     |
| 517                 | 89,269        | 18,579                | 6                                | 385,005   |
| \$517               | \$100,761     | \$18,720              | \$5,743                          | \$495,937 |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                       | Special Revenue                         |                 |                  |                 |
|-------------------------------------------------------|-----------------------------------------|-----------------|------------------|-----------------|
|                                                       | Agriculture<br>and Natural<br>Resources | Regulatory      | Fish and<br>Game | Federal         |
| <b>REVENUES</b>                                       |                                         |                 |                  |                 |
| Sales Tax                                             | \$4,800                                 |                 |                  |                 |
| Other Taxes                                           | 37,576                                  | \$68,201        |                  |                 |
| Licenses, Permits, and Fees                           | 39,793                                  | 49,226          | \$32,956         |                 |
| Sale of Goods and Services                            | 3,407                                   | 974             | 197              | \$71            |
| Grants and Contributions                              | 32,584                                  | 131             | 52,519           | 414,260         |
| Investment Income                                     | 6,075                                   | (8,588)         | (40)             | 69              |
| Other Income                                          | 2,883                                   | 1,168           | 910              | 213             |
| <b>Total Revenues</b>                                 | <b>127,118</b>                          | <b>111,112</b>  | <b>86,542</b>    | <b>414,613</b>  |
| <b>EXPENDITURES</b>                                   |                                         |                 |                  |                 |
| Current:                                              |                                         |                 |                  |                 |
| General Government                                    |                                         | 3,011           |                  | 43,482          |
| Public Safety and Correction                          |                                         | 2,703           |                  | 8,374           |
| Education                                             |                                         |                 |                  | 233,985         |
| Economic Development                                  | 48,318                                  | 42,948          | 121              | 72,167          |
| Natural Resources                                     | 70,588                                  | 1,382           | 70,184           | 4,598           |
| Capital Outlay                                        | 7,716                                   | 1,251           | 17,884           | 5,959           |
| Intergovernmental Revenue Sharing                     | 10,741                                  |                 |                  | 50,716          |
| Debt Service:                                         |                                         |                 |                  |                 |
| Principal Retirement                                  |                                         |                 | 426              | 2               |
| Interest and Other Charges                            | 4                                       | 1               | 349              | 1               |
| <b>Total Expenditures</b>                             | <b>137,367</b>                          | <b>51,296</b>   | <b>88,964</b>    | <b>419,284</b>  |
| <b>Revenues Over (Under) Expenditures</b>             | <b>(10,249)</b>                         | <b>59,816</b>   | <b>(2,422)</b>   | <b>(4,671)</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                                         |                 |                  |                 |
| Bonds and Notes Issued                                |                                         |                 |                  |                 |
| Issuance of Refunding Bonds                           |                                         |                 |                  |                 |
| Premium on Bonds Issued                               |                                         |                 |                  |                 |
| Payment to Refunded Bond Escrow Agent                 |                                         |                 |                  |                 |
| Sale of Capital Assets                                | 35                                      | 62              | 743              | 53              |
| Transfers In                                          | 14,712                                  |                 | 9                | 334             |
| Transfers Out                                         | (3,382)                                 | (66,061)        | (138)            | (375)           |
| <b>Total Other Financing Sources (Uses)</b>           | <b>11,365</b>                           | <b>(65,999)</b> | <b>614</b>       | <b>12</b>       |
| <b>Net Changes in Fund Balances</b>                   | <b>1,116</b>                            | <b>(6,183)</b>  | <b>(1,808)</b>   | <b>(4,659)</b>  |
| <b>Fund Balances - Beginning of Year, as Restated</b> | <b>147,745</b>                          | <b>68,103</b>   | <b>37,999</b>    | <b>34,321</b>   |
| <b>Fund Balances - End of Year</b>                    | <b>\$148,861</b>                        | <b>\$61,920</b> | <b>\$36,191</b>  | <b>\$29,662</b> |

| Capital Projects |               |                    |                               |           |
|------------------|---------------|--------------------|-------------------------------|-----------|
| Federal Stimulus | Miscellaneous | Building Authority | Transportation Infrastructure | Total     |
|                  |               |                    |                               | \$4,800   |
|                  | \$23,660      |                    |                               | 129,437   |
|                  | 23,670        |                    |                               | 145,645   |
| \$3              | 14,073        | \$37,611           |                               | 56,336    |
| 4,528            | 80            |                    |                               | 504,102   |
| (45)             | 2,425         | 43                 | \$6                           | (55)      |
| 6                | 10,334        |                    | 2                             | 15,516    |
| 4,492            | 74,242        | 37,654             | 8                             | 855,781   |
| 74               | 5,003         | 346                |                               | 51,916    |
| 367              | 51,175        |                    |                               | 62,619    |
| 1                | 3,311         |                    |                               | 237,297   |
| 836              | 36,363        |                    | 3,950                         | 204,703   |
| 1,727            | 103           |                    |                               | 148,582   |
| 29               | 3,553         | 1,651              | 50,526                        | 88,569    |
| 1,198            | 10,800        |                    |                               | 73,455    |
|                  |               | 26,247             |                               | 26,675    |
|                  | 23            | 8,666              |                               | 9,044     |
| 4,232            | 110,331       | 36,910             | 54,476                        | 902,860   |
| 260              | (36,089)      | 744                | (54,468)                      | (47,079)  |
|                  |               | 9,045              | 52,302                        | 61,347    |
|                  |               | 10,945             |                               | 10,945    |
|                  |               | 1,304              |                               | 1,304     |
|                  |               | (11,441)           |                               | (11,441)  |
|                  | 156           |                    |                               | 1,049     |
|                  | 23,759        |                    |                               | 38,814    |
|                  | (351)         |                    |                               | (70,307)  |
|                  | 23,564        | 9,853              | 52,302                        | 31,711    |
| 260              | (12,525)      | 10,597             | (2,166)                       | (15,368)  |
| 257              | 101,794       | 7,982              | 2,172                         | 400,373   |
| \$517            | \$89,269      | \$18,579           | \$6                           | \$385,005 |

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                          | Special Revenue                   |                  |                                         |                                  |
|----------------------------------------------------------|-----------------------------------|------------------|-----------------------------------------|----------------------------------|
|                                                          | Agriculture and Natural Resources |                  |                                         |                                  |
|                                                          | Original<br>Budget                | Final<br>Budget  | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>with Final<br>Budget |
| <b>REVENUES</b>                                          |                                   |                  |                                         |                                  |
| Sales Tax                                                | \$4,800                           | \$4,800          | \$4,800                                 |                                  |
| Other Taxes                                              | 37,580                            | 37,580           | 37,580                                  |                                  |
| Licenses, Permits, and Fees                              | 39,535                            | 39,535           | 39,535                                  |                                  |
| Sale of Goods and Services                               | 3,399                             | 3,399            | 3,399                                   |                                  |
| Grants and Contributions                                 | 35,210                            | 35,210           | 35,210                                  |                                  |
| Investment Income                                        | 1,060                             | 1,060            | 1,060                                   |                                  |
| Other Income                                             | 2,599                             | 2,599            | 2,599                                   |                                  |
| <b>Total Revenues</b>                                    | <b>\$124,183</b>                  | <b>\$124,183</b> | <b>124,183</b>                          |                                  |
| <b>EXPENDITURES</b>                                      |                                   |                  |                                         |                                  |
| General Government                                       |                                   |                  |                                         |                                  |
| Public Safety and Correction                             |                                   |                  |                                         |                                  |
| Education                                                |                                   |                  |                                         |                                  |
| Economic Development                                     | \$53,059                          | \$53,076         | 49,302                                  | \$3,774                          |
| Natural Resources                                        | 109,313                           | 113,936          | 88,928                                  | 25,008                           |
| <b>Total Expenditures</b>                                | <b>\$162,372</b>                  | <b>\$167,012</b> | <b>138,230</b>                          | <b>\$28,782</b>                  |
| <b>Revenues Over (Under) Expenditures</b>                |                                   |                  | <b>(14,047)</b>                         |                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                                   |                  |                                         |                                  |
| Bonds and Notes Issued                                   |                                   |                  |                                         |                                  |
| Issuance of Refunding Bonds                              |                                   |                  |                                         |                                  |
| Premium on Bonds Issued                                  |                                   |                  |                                         |                                  |
| Payment to Refunded Bond Escrow Agent                    |                                   |                  |                                         |                                  |
| Sale of Capital Assets                                   |                                   |                  | 35                                      |                                  |
| Transfers In                                             |                                   |                  | 14,712                                  |                                  |
| Transfers Out                                            |                                   |                  | (3,382)                                 |                                  |
| <b>Total Other Financing Sources (Uses)</b>              |                                   |                  | <b>11,365</b>                           |                                  |
| <b>Revenues and Other Financing Sources Over (Under)</b> |                                   |                  | <b>(2,682)</b>                          |                                  |
| <b>Expenditures and Other Financing Uses</b>             |                                   |                  |                                         |                                  |
| <b>Reconciling Items</b>                                 |                                   |                  |                                         |                                  |
| Changes Affected by Accrued Revenues                     |                                   |                  | 2,935                                   |                                  |
| Changes Affected by Accrued Expenditures                 |                                   |                  | 863                                     |                                  |
| <b>Fund Balances - Beginning of Year</b>                 |                                   |                  | <b>147,745</b>                          |                                  |
| <b>Fund Balances - End of Year</b>                       |                                   |                  | <b>\$148,861</b>                        |                                  |

*continued*

| Special Revenue  |                  |                                |                            |                 |                  |                                |                            |
|------------------|------------------|--------------------------------|----------------------------|-----------------|------------------|--------------------------------|----------------------------|
| Regulatory       |                  |                                |                            | Fish and Game   |                  |                                |                            |
| Original Budget  | Final Budget     | Actual Amounts Budgetary Basis | Variance with Final Budget | Original Budget | Final Budget     | Actual Amounts Budgetary Basis | Variance with Final Budget |
| \$71,749         | \$71,749         | \$71,749                       |                            |                 |                  |                                |                            |
| 51,406           | 51,406           | 51,406                         |                            | \$32,956        | \$32,956         | \$32,956                       |                            |
| 921              | 921              | 921                            |                            | 197             | 197              | 197                            |                            |
| 131              | 131              | 131                            |                            | 49,399          | 49,399           | 49,399                         |                            |
| 330              | 330              | 330                            |                            | 376             | 376              | 376                            |                            |
| 1,007            | 1,007            | 1,007                          |                            | 676             | 676              | 676                            |                            |
| <u>\$125,544</u> | <u>\$125,544</u> | <u>125,544</u>                 |                            | <u>\$83,604</u> | <u>\$83,604</u>  | <u>83,604</u>                  |                            |
| \$3,011          | \$3,011          | 3,011                          |                            |                 |                  |                                |                            |
| 3,253            | 3,264            | 2,779                          | \$485                      |                 |                  |                                |                            |
| 49,700           | 48,220           | 43,715                         | 4,505                      | \$216           | \$216            | 121                            | \$95                       |
| 1,391            | 1,793            | 1,371                          | 422                        | 96,507          | 104,774          | 89,748                         | 15,026                     |
| <u>\$57,355</u>  | <u>\$56,288</u>  | <u>50,876</u>                  | <u>\$5,412</u>             | <u>\$96,723</u> | <u>\$104,990</u> | <u>89,869</u>                  | <u>\$15,121</u>            |
|                  |                  | <u>74,668</u>                  |                            |                 |                  | <u>(6,265)</u>                 |                            |
|                  |                  | 62                             |                            |                 |                  | 743                            |                            |
|                  |                  | (66,061)                       |                            |                 |                  | 9                              |                            |
|                  |                  | <u>(65,999)</u>                |                            |                 |                  | <u>(138)</u>                   |                            |
|                  |                  | <u>8,669</u>                   |                            |                 |                  | <u>614</u>                     |                            |
|                  |                  |                                |                            |                 |                  | <u>(5,651)</u>                 |                            |
|                  |                  | (14,432)                       |                            |                 |                  | 2,938                          |                            |
|                  |                  | (420)                          |                            |                 |                  | 905                            |                            |
|                  |                  | <u>68,103</u>                  |                            |                 |                  | <u>37,999</u>                  |                            |
|                  |                  | <u>\$61,920</u>                |                            |                 |                  | <u>\$36,191</u>                |                            |

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                          | Special Revenue    |                  |                                         |                                  |
|----------------------------------------------------------|--------------------|------------------|-----------------------------------------|----------------------------------|
|                                                          | Federal            |                  |                                         |                                  |
|                                                          | Original<br>Budget | Final<br>Budget  | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>with Final<br>Budget |
| <b>REVENUES</b>                                          |                    |                  |                                         |                                  |
| Sales Tax                                                |                    |                  |                                         |                                  |
| Other Taxes                                              |                    |                  |                                         |                                  |
| Licenses, Permits, and Fees                              |                    |                  |                                         |                                  |
| Sale of Goods and Services                               | \$48               | \$48             | \$48                                    |                                  |
| Grants and Contributions                                 | 427,721            | 427,721          | 427,721                                 |                                  |
| Investment Income                                        | 183                | 183              | 183                                     |                                  |
| Other Income                                             | 203                | 203              | 203                                     |                                  |
| <b>Total Revenues</b>                                    | <b>\$428,155</b>   | <b>\$428,155</b> | <b>428,155</b>                          |                                  |
| <b>EXPENDITURES</b>                                      |                    |                  |                                         |                                  |
| General Government                                       | \$80,342           | \$81,075         | 60,270                                  | \$20,805                         |
| Public Safety and Correction                             | 19,314             | 19,363           | 13,920                                  | 5,443                            |
| Education                                                | 280,118            | 281,967          | 259,091                                 | 22,876                           |
| Economic Development                                     | 115,223            | 115,494          | 95,332                                  | 20,162                           |
| Natural Resources                                        | 18,503             | 18,406           | 9,029                                   | 9,377                            |
| <b>Total Expenditures</b>                                | <b>\$513,500</b>   | <b>\$516,305</b> | <b>437,642</b>                          | <b>\$78,663</b>                  |
| <b>Revenues Over (Under) Expenditures</b>                |                    |                  | <b>(9,487)</b>                          |                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                    |                  |                                         |                                  |
| Bonds and Notes Issued                                   |                    |                  |                                         |                                  |
| Issuance of Refunding Bonds                              |                    |                  |                                         |                                  |
| Premium on Bonds Issued                                  |                    |                  |                                         |                                  |
| Payment to Refunded Bond Escrow Agent                    |                    |                  |                                         |                                  |
| Sale of Capital Assets                                   |                    |                  | 53                                      |                                  |
| Transfers In                                             |                    |                  | 334                                     |                                  |
| Transfers Out                                            |                    |                  | (375)                                   |                                  |
| <b>Total Other Financing Sources (Uses)</b>              |                    |                  | <b>12</b>                               |                                  |
| <b>Revenues and Other Financing Sources Over (Under)</b> |                    |                  | <b>(9,475)</b>                          |                                  |
| <b>Expenditures and Other Financing Uses</b>             |                    |                  |                                         |                                  |
| <b>Reconciling Items</b>                                 |                    |                  |                                         |                                  |
| Changes Affected by Accrued Revenues                     |                    |                  | (13,542)                                |                                  |
| Changes Affected by Accrued Expenditures                 |                    |                  | 18,358                                  |                                  |
| <b>Fund Balances - Beginning of Year</b>                 |                    |                  | <b>34,321</b>                           |                                  |
| <b>Fund Balances - End of Year</b>                       |                    |                  | <b>\$29,662</b>                         |                                  |

*continued*

| Special Revenue  |              |                                |                            |                 |              |                                |                            |
|------------------|--------------|--------------------------------|----------------------------|-----------------|--------------|--------------------------------|----------------------------|
| Federal Stimulus |              |                                |                            | Miscellaneous   |              |                                |                            |
| Original Budget  | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
|                  |              |                                |                            | \$20,372        | \$20,372     | \$20,372                       |                            |
|                  |              |                                |                            | 23,580          | 23,580       | 23,580                         |                            |
| \$3              | \$3          | \$3                            |                            | 10,620          | 10,620       | 10,620                         |                            |
| 3,202            | 3,202        | 3,202                          |                            | 845             | 845          | 845                            |                            |
| (45)             | (45)         | (45)                           |                            | 2,743           | 2,743        | 2,743                          |                            |
| 3                | 3            | 3                              |                            | 10,173          | 10,173       | 10,173                         |                            |
| \$3,163          | \$3,163      | 3,163                          |                            | \$68,333        | \$68,333     | 68,333                         |                            |
| \$189            | \$189        | 83                             | \$106                      | \$6,955         | \$6,960      | 6,734                          | \$226                      |
| 2,986            | 2,986        | 1,987                          | 999                        | 65,100          | 65,272       | 58,030                         | 7,242                      |
|                  | 3            |                                | 3                          | 6,219           | 6,219        | 4,213                          | 2,006                      |
| 920              | 920          | 836                            | 84                         | 43,895          | 43,886       | 41,795                         | 2,091                      |
| 3,296            | 3,298        | 2,058                          | 1,240                      | 106             | 141          | 103                            | 38                         |
| \$7,391          | \$7,396      | 4,964                          | \$2,432                    | \$122,275       | \$122,478    | 110,875                        | \$11,603                   |
|                  |              | (1,801)                        |                            |                 |              | (42,542)                       |                            |
|                  |              |                                |                            |                 |              | 156                            |                            |
|                  |              |                                |                            |                 |              | 23,759                         |                            |
|                  |              |                                |                            |                 |              | (351)                          |                            |
|                  |              |                                |                            |                 |              | 23,564                         |                            |
|                  |              |                                |                            |                 |              | (18,978)                       |                            |
|                  |              | 1,329                          |                            |                 |              | 5,909                          |                            |
|                  |              | 732                            |                            |                 |              | 544                            |                            |
|                  |              | 257                            |                            |                 |              | 101,794                        |                            |
|                  |              | \$517                          |                            |                 |              | \$89,269                       |                            |

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual

## Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                          | Special Revenue<br>Building Authority |                 |                   | Variance<br>with Final<br>Budget |
|----------------------------------------------------------|---------------------------------------|-----------------|-------------------|----------------------------------|
|                                                          | Original<br>Budget                    | Final<br>Budget | Actual<br>Amounts |                                  |
| <b>REVENUES</b>                                          |                                       |                 |                   |                                  |
| Sales Tax                                                |                                       |                 |                   |                                  |
| Other Taxes                                              |                                       |                 |                   |                                  |
| Licenses, Permits, and Fees                              |                                       |                 |                   |                                  |
| Sale of Goods and Services                               | \$37,611                              | \$37,611        | \$37,611          |                                  |
| Grants and Contributions                                 |                                       |                 |                   |                                  |
| Investment Income                                        | 43                                    | 43              | 43                |                                  |
| Other Income                                             |                                       |                 |                   |                                  |
| <b>Total Revenues</b>                                    | <b>\$37,654</b>                       | <b>\$37,654</b> | <b>37,654</b>     |                                  |
| <b>EXPENDITURES</b>                                      |                                       |                 |                   |                                  |
| General Government                                       | \$36,910                              | \$36,910        | 36,910            |                                  |
| Public Safety and Correction                             |                                       |                 |                   |                                  |
| Education                                                |                                       |                 |                   |                                  |
| Economic Development                                     |                                       |                 |                   |                                  |
| Natural Resources                                        |                                       |                 |                   |                                  |
| <b>Total Expenditures</b>                                | <b>\$36,910</b>                       | <b>\$36,910</b> | <b>36,910</b>     |                                  |
| <b>Revenues Over (Under) Expenditures</b>                |                                       |                 | <b>744</b>        |                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                                       |                 |                   |                                  |
| Bonds and Notes Issued                                   |                                       |                 | 9,045             |                                  |
| Issuance of Refunding Bonds                              |                                       |                 | 10,945            |                                  |
| Premium on Bonds Issued                                  |                                       |                 | 1,304             |                                  |
| Payment to Refunded Bond Escrow Agent                    |                                       |                 | (11,441)          |                                  |
| Sale of Capital Assets                                   |                                       |                 |                   |                                  |
| Transfers In                                             |                                       |                 |                   |                                  |
| Transfers Out                                            |                                       |                 |                   |                                  |
| <b>Total Other Financing Sources (Uses)</b>              |                                       |                 | <b>9,853</b>      |                                  |
| <b>Revenues and Other Financing Sources Over (Under)</b> |                                       |                 | <b>10,597</b>     |                                  |
| <b>Expenditures and Other Financing Uses</b>             |                                       |                 |                   |                                  |
| <b>Reconciling Items</b>                                 |                                       |                 |                   |                                  |
| Changes Affected by Accrued Revenues                     |                                       |                 |                   |                                  |
| Changes Affected by Accrued Expenditures                 |                                       |                 |                   |                                  |
| <b>Fund Balances - Beginning of Year, as Restated</b>    |                                       |                 | <b>7,982</b>      |                                  |
| <b>Fund Balances - End of Year</b>                       |                                       |                 | <b>\$18,579</b>   |                                  |

| Capital Projects              |              |                                |                            | Total           |              |                                |                            |
|-------------------------------|--------------|--------------------------------|----------------------------|-----------------|--------------|--------------------------------|----------------------------|
| Transportation Infrastructure |              |                                |                            |                 |              |                                |                            |
| Original Budget               | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget | Original Budget | Final Budget | Actual Amounts Budgetary Basis | Variance with Final Budget |
|                               |              |                                |                            | \$4,800         | \$4,800      | \$4,800                        |                            |
|                               |              |                                |                            | 129,701         | 129,701      | 129,701                        |                            |
|                               |              |                                |                            | 147,477         | 147,477      | 147,477                        |                            |
|                               |              |                                |                            | 52,799          | 52,799       | 52,799                         |                            |
|                               |              |                                |                            | 516,508         | 516,508      | 516,508                        |                            |
| \$6                           | \$6          | \$6                            |                            | 4,696           | 4,696        | 4,696                          |                            |
| 2                             | 2            | 2                              |                            | 14,663          | 14,663       | 14,663                         |                            |
| \$8                           | \$8          | 8                              |                            | \$870,644       | \$870,644    | 870,644                        |                            |
|                               |              |                                |                            | \$127,407       | \$128,145    | 107,008                        | \$21,137                   |
|                               |              |                                |                            | 90,653          | 90,885       | 76,716                         | 14,169                     |
|                               |              |                                |                            | 286,337         | 288,189      | 263,304                        | 24,885                     |
| \$54,478                      | \$54,478     | 54,478                         |                            | 317,491         | 316,290      | 285,579                        | 30,711                     |
|                               |              |                                |                            | 229,116         | 242,348      | 191,237                        | 51,111                     |
| \$54,478                      | \$54,478     | 54,478                         |                            | \$1,051,004     | \$1,065,857  | 923,844                        | \$142,013                  |
|                               |              | (54,470)                       |                            |                 |              | (53,200)                       |                            |
|                               |              | 52,302                         |                            |                 |              | 61,347                         |                            |
|                               |              |                                |                            |                 |              | 10,945                         |                            |
|                               |              |                                |                            |                 |              | 1,304                          |                            |
|                               |              |                                |                            |                 |              | (11,441)                       |                            |
|                               |              |                                |                            |                 |              | 1,049                          |                            |
|                               |              |                                |                            |                 |              | 38,814                         |                            |
|                               |              |                                |                            |                 |              | (70,307)                       |                            |
|                               |              | 52,302                         |                            |                 |              | 31,711                         |                            |
|                               |              | (2,168)                        |                            |                 |              | (21,489)                       |                            |
|                               |              |                                |                            |                 |              | (14,863)                       |                            |
|                               |              | 2                              |                            |                 |              | 20,984                         |                            |
|                               |              | 2,172                          |                            |                 |              | 400,373                        |                            |
|                               |              | \$6                            |                            |                 |              | \$385,005                      |                            |

## Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

## Budget and Actual

## Major Permanent Fund

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                          | Land<br>Endowments |                  |                                         |                                  |
|----------------------------------------------------------|--------------------|------------------|-----------------------------------------|----------------------------------|
|                                                          | Original<br>Budget | Final<br>Budget  | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>with Final<br>Budget |
| <b>REVENUES</b>                                          |                    |                  |                                         |                                  |
| Sale of Goods and Services                               | \$77,319           | \$77,319         | \$77,319                                |                                  |
| Investment Income                                        | 182,554            | 182,554          | 182,554                                 |                                  |
| <b>Total Revenues</b>                                    | <b>\$259,873</b>   | <b>\$259,873</b> | <b>259,873</b>                          |                                  |
| <b>EXPENDITURES</b>                                      |                    |                  |                                         |                                  |
| Natural Resources                                        | \$33,429           | \$33,409         | 29,262                                  | \$4,147                          |
| <b>Total Expenditures</b>                                | <b>\$33,429</b>    | <b>\$33,409</b>  | <b>29,262</b>                           | <b>\$4,147</b>                   |
| <b>Revenues Over (Under) Expenditures</b>                |                    |                  | <b>230,611</b>                          |                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                    |                  |                                         |                                  |
| Sale of Capital Assets                                   |                    |                  | 117                                     |                                  |
| Transfers Out                                            |                    |                  | (47,509)                                |                                  |
| <b>Total Other Financing Sources (Uses)</b>              |                    |                  | <b>(47,392)</b>                         |                                  |
| <b>Revenues and Other Financing Sources Over (Under)</b> |                    |                  | <b>183,219</b>                          |                                  |
| <b>Expenditures and Other Financing Uses</b>             |                    |                  |                                         |                                  |
| <b>Reconciling Items</b>                                 |                    |                  |                                         |                                  |
| Changes Affected by Accrued Expenditures                 |                    |                  | (3,080)                                 |                                  |
| <b>Fund Balances - Beginning of Year</b>                 |                    |                  | <b>1,281,132</b>                        |                                  |
| <b>Fund Balances - End of Year</b>                       |                    |                  | <b>\$1,461,271</b>                      |                                  |

**NONMAJOR ENTERPRISE FUNDS** account for those funds that provide goods or services to the general public and finance their operations primarily through user charges. The following provides a brief description of the nonmajor enterprise funds.

---

**The State Lottery Fund** accounts for the financial position and operations associated with lottery games. Established by the Legislature in 1988, the State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by Idaho Code Section 67-7434.

**The Correctional Industries Fund** accounts for the financial position and operations associated with employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other products and services.

**The State Liquor Fund** accounts for the financial position and operations associated with the distribution, sale, and consumption of alcoholic beverages. Per Idaho Code Section 23-404, after deducting administrative and operating costs for the Liquor Division, distributions are made to cities, counties, the General Fund, and various other funds of the State.

## Combining Statement of Net Position

## Nonmajor Enterprise Funds

June 30, 2013

(dollars in thousands)

|                                           | State<br>Lottery | State<br>Liquor | Correctional<br>Industries | Total           |
|-------------------------------------------|------------------|-----------------|----------------------------|-----------------|
| <b>ASSETS</b>                             |                  |                 |                            |                 |
| <b>Current Assets</b>                     |                  |                 |                            |                 |
| Cash and Cash Equivalents                 | \$2,731          |                 |                            | \$2,731         |
| Pooled Cash and Investments               |                  | \$15,598        | \$3,306                    | 18,904          |
| Accounts Receivable, Net                  | 1,550            | 95              | 401                        | 2,046           |
| Interfund Receivables                     |                  |                 | 61                         | 61              |
| Inventories and Prepaid Items             | 119              | 11,452          | 2,108                      | 13,679          |
| Other Current Assets                      |                  | 143             |                            | 143             |
| <b>Total Current Assets</b>               | <b>4,400</b>     | <b>27,288</b>   | <b>5,876</b>               | <b>37,564</b>   |
| <b>Noncurrent Assets</b>                  |                  |                 |                            |                 |
| Restricted Cash and Cash Equivalents      | 48,416           |                 |                            | 48,416          |
| Other Noncurrent Assets                   |                  | 7               | 3                          | 10              |
| Capital Assets, Net                       | 215              | 10,084          | 3,541                      | 13,840          |
| <b>Total Noncurrent Assets</b>            | <b>48,631</b>    | <b>10,091</b>   | <b>3,544</b>               | <b>62,266</b>   |
| <b>Total Assets</b>                       | <b>\$53,031</b>  | <b>\$37,379</b> | <b>\$9,420</b>             | <b>\$99,830</b> |
| <b>LIABILITIES</b>                        |                  |                 |                            |                 |
| <b>Current Liabilities</b>                |                  |                 |                            |                 |
| Accounts Payable                          | \$1,485          | \$9,251         | \$171                      | \$10,907        |
| Payroll and Related Liabilities           | 157              | 518             | 94                         | 769             |
| Interfund Payables                        |                  | 5,869           |                            | 5,869           |
| Due to Other Entities                     |                  | 7,340           |                            | 7,340           |
| Other Accrued Liabilities                 | 2,515            |                 | 3                          | 2,518           |
| Compensated Absences Payable              | 121              | 481             | 98                         | 700             |
| Bonds, Notes, and Capital Leases Payable  | 40               |                 |                            | 40              |
| <b>Total Current Liabilities</b>          | <b>4,318</b>     | <b>23,459</b>   | <b>366</b>                 | <b>28,143</b>   |
| <b>Noncurrent Liabilities</b>             |                  |                 |                            |                 |
| Bonds, Notes, and Capital Leases Payable  | 67               |                 |                            | 67              |
| Other Long-Term Obligations               |                  | 301             | 53                         | 354             |
| <b>Total Noncurrent Liabilities</b>       | <b>67</b>        | <b>301</b>      | <b>53</b>                  | <b>421</b>      |
| <b>Total Liabilities</b>                  | <b>4,385</b>     | <b>23,760</b>   | <b>419</b>                 | <b>28,564</b>   |
| <b>NET POSITION</b>                       |                  |                 |                            |                 |
| Net Investment in Capital Assets          | 108              | 10,083          | 3,542                      | 13,733          |
| Restricted for:                           |                  |                 |                            |                 |
| Other Purposes                            | 48,538           | 3,536           | 5,459                      | 57,533          |
| <b>Total Net Position</b>                 | <b>48,646</b>    | <b>13,619</b>   | <b>9,001</b>               | <b>71,266</b>   |
| <b>Total Liabilities and Net Position</b> | <b>\$53,031</b>  | <b>\$37,379</b> | <b>\$9,420</b>             | <b>\$99,830</b> |

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

## Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                            | State<br>Lottery | State<br>Liquor | Correctional<br>Industries | Total           |
|------------------------------------------------------------|------------------|-----------------|----------------------------|-----------------|
| <b>OPERATING REVENUES</b>                                  |                  |                 |                            |                 |
| Sale of Goods and Services                                 | \$198,123        | \$161,561       | \$7,572                    | \$367,256       |
| Other Income                                               | 45               |                 | 365                        | 410             |
| <b>Total Operating Revenues</b>                            | <b>198,168</b>   | <b>161,561</b>  | <b>7,937</b>               | <b>367,666</b>  |
| <b>OPERATING EXPENSES</b>                                  |                  |                 |                            |                 |
| Personnel Costs                                            | 2,703            | 10,546          | 1,937                      | 15,186          |
| Services and Supplies                                      | 24,587           | 89,441          | 4,016                      | 118,044         |
| Benefits, Awards, and Premiums                             | 122,888          |                 |                            | 122,888         |
| Depreciation                                               | 122              | 1,080           | 430                        | 1,632           |
| Other Expenses                                             | 292              | 4,240           | 1,294                      | 5,826           |
| <b>Total Operating Expenses</b>                            | <b>150,592</b>   | <b>105,307</b>  | <b>7,677</b>               | <b>263,576</b>  |
| <b>Operating Income (Loss)</b>                             | <b>47,576</b>    | <b>56,254</b>   | <b>260</b>                 | <b>104,090</b>  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                    |                  |                 |                            |                 |
| Investment Income                                          | 1                | 59              | 16                         | 76              |
| Interest Expense                                           | (7)              |                 |                            | (7)             |
| Intergovernmental Distributions                            |                  | (30,240)        |                            | (30,240)        |
| Gain (Loss) on Sale of Capital Assets                      |                  | (18)            | 7                          | (11)            |
| Other Nonoperating Revenues (Expenses)                     |                  |                 | (7)                        | (7)             |
| <b>Total Nonoperating Revenues (Expenses)</b>              | <b>(6)</b>       | <b>(30,199)</b> | <b>16</b>                  | <b>(30,189)</b> |
| <b>Income (Loss) Before Transfers</b>                      | <b>47,570</b>    | <b>26,055</b>   | <b>276</b>                 | <b>73,901</b>   |
| Transfers Out                                              | (41,500)         | (27,019)        |                            | (68,519)        |
| <b>Change in Net Position</b>                              | <b>6,070</b>     | <b>(964)</b>    | <b>276</b>                 | <b>5,382</b>    |
| <b>Total Net Position - Beginning of Year, as Restated</b> | <b>42,576</b>    | <b>14,583</b>   | <b>8,725</b>               | <b>65,884</b>   |
| <b>Total Net Position - End of Year</b>                    | <b>\$48,646</b>  | <b>\$13,619</b> | <b>\$9,001</b>             | <b>\$71,266</b> |

## Combining Statement of Cash Flows

## Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                                                                      | State<br>Lottery | State<br>Liquor | Correctional<br>Industries | Total            |
|------------------------------------------------------------------------------------------------------|------------------|-----------------|----------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                          |                  |                 |                            |                  |
| Receipts from Customers                                                                              | \$198,044        | \$161,478       | \$4,597                    | \$364,119        |
| Receipts for Interfund Services                                                                      |                  |                 | 3,771                      | 3,771            |
| Payments to Suppliers                                                                                | (24,613)         | (90,549)        | (5,764)                    | (120,926)        |
| Payments to Employees                                                                                | (2,698)          | (10,544)        | (1,991)                    | (15,233)         |
| Payments for Interfund Services                                                                      |                  | (523)           | (133)                      | (656)            |
| Payments for Benefits, Awards, and Claims                                                            | (120,843)        |                 |                            | (120,843)        |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                              | <b>49,890</b>    | <b>59,862</b>   | <b>480</b>                 | <b>110,232</b>   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                               |                  |                 |                            |                  |
| Intergovernmental Distributions                                                                      |                  | (29,945)        |                            | (29,945)         |
| Transfers Out                                                                                        | (41,500)         | (25,975)        |                            | (67,475)         |
| <b>Net Cash Provided (Used) by Noncapital Financing Activities</b>                                   | <b>(41,500)</b>  | <b>(55,920)</b> |                            | <b>(97,420)</b>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                      |                  |                 |                            |                  |
| Principal Payments                                                                                   | (38)             |                 |                            | (38)             |
| Proceeds from Disposition of Capital Assets                                                          |                  |                 | 7                          | 7                |
| Interest Payments                                                                                    | (7)              |                 |                            | (7)              |
| Acquisition and Construction of Capital Assets                                                       | (41)             | (738)           | (1,627)                    | (2,406)          |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                          | <b>(86)</b>      | <b>(738)</b>    | <b>(1,620)</b>             | <b>(2,444)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                          |                  |                 |                            |                  |
| Receipt of Interest and Dividends                                                                    | 2                | 59              | 16                         | 77               |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                              | <b>2</b>         | <b>59</b>       | <b>16</b>                  | <b>77</b>        |
| <b>Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash</b>                            | <b>8,306</b>     | <b>3,263</b>    | <b>(1,124)</b>             | <b>10,445</b>    |
| <b>Beginning Cash, Cash Equivalents, and Pooled Cash, as Restated</b>                                | <b>42,841</b>    | <b>12,335</b>   | <b>4,430</b>               | <b>59,606</b>    |
| <b>Ending Cash, Cash Equivalents, and Pooled Cash</b>                                                | <b>\$51,147</b>  | <b>\$15,598</b> | <b>\$3,306</b>             | <b>\$70,051</b>  |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b> |                  |                 |                            |                  |
| Operating Income (Loss)                                                                              | \$47,576         | \$56,254        | \$260                      | \$104,090        |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:       |                  |                 |                            |                  |
| Depreciation and Amortization                                                                        | 122              | 1,080           | 430                        | 1,632            |
| Net Changes in Assets and Liabilities:                                                               |                  |                 |                            |                  |
| Accounts Receivable/Interfund Receivables                                                            | 3,112            | (14)            | 431                        | 3,529            |
| Inventories and Prepaid Items                                                                        |                  | 1,003           | (275)                      | 728              |
| Other Assets                                                                                         | 55               | (68)            |                            | (13)             |
| Accounts Payable/Interfund Payables                                                                  | (975)            | 1,606           | (167)                      | 464              |
| Compensated Absences                                                                                 |                  | (11)            | (35)                       | (46)             |
| Other Accrued Liabilities                                                                            |                  | 12              | (164)                      | (152)            |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                              | <b>\$49,890</b>  | <b>\$59,862</b> | <b>\$480</b>               | <b>\$110,232</b> |

**Noncash Transactions (dollars in thousands):**

State Liquor recorded an interfund payable of \$1,044 due on July 1, 2013, disposed of capital assets at a loss of \$18, and eliminated capital assets of \$3,196 in prior periods. Correctional Industries' beginning cash decreased by \$138 due to a prior period adjustment.

**INTERNAL SERVICE FUNDS** account for those funds which provide goods or services to state agencies and governmental units on a cost-reimbursement basis. The following provides a brief description of operations included in the internal service funds.

---

**The Group Insurance Fund**, created by Idaho Code Section 67-5771, accounts for health insurance for all state employees and optional coverage for dependents and retirees. The fund also provides life insurance and short and long-term disability coverage.

**The Risk Management Fund**, created by Idaho Code Section 67-5776, accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and insurance purchased from commercial carriers.

**The General Services Fund**, created by Idaho Code Sections 67-5703, 67-5744, and 67-3516, accounts for statewide auditing, human resources, treasury, surplus property redistribution and sale, copying, purchasing, mail, and voice and data communication services.

**The Data Processing Services Fund**, created by Idaho Code Section 67-1021, accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

## Combining Statement of Net Position

## Internal Service Funds

June 30, 2013

(dollars in thousands)

|                                           | Group<br>Insurance | Risk<br>Management | General<br>Services | Data<br>Processing<br>Services | Total            |
|-------------------------------------------|--------------------|--------------------|---------------------|--------------------------------|------------------|
| <b>ASSETS</b>                             |                    |                    |                     |                                |                  |
| <b>Current Assets</b>                     |                    |                    |                     |                                |                  |
| Pooled Cash and Investments               | \$22,427           | \$6,824            | \$5,380             | \$3,176                        | \$37,807         |
| Accounts Receivable, Net                  |                    |                    | 55                  |                                | 55               |
| Interfund Receivables                     | 9                  |                    | 128                 | 574                            | 711              |
| Inventories and Prepaid Items             |                    |                    | 1,435               | 682                            | 2,117            |
| Other Current Assets                      | 96                 | 31                 |                     |                                | 127              |
| <b>Total Current Assets</b>               | <b>22,532</b>      | <b>6,855</b>       | <b>6,998</b>        | <b>4,432</b>                   | <b>40,817</b>    |
| <b>Noncurrent Assets</b>                  |                    |                    |                     |                                |                  |
| Restricted Cash and Cash Equivalents      | 25,677             |                    |                     |                                | 25,677           |
| Investments                               | 23,004             | 7,519              |                     |                                | 30,523           |
| Loans, Notes, and Pledges Receivable, Net | 95                 |                    |                     |                                | 95               |
| Other Noncurrent Assets                   |                    |                    | 4                   | 2                              | 6                |
| Capital Assets, Net                       | 3                  | 5                  | 15,267              | 781                            | 16,056           |
| <b>Total Noncurrent Assets</b>            | <b>48,779</b>      | <b>7,524</b>       | <b>15,271</b>       | <b>783</b>                     | <b>72,357</b>    |
| <b>Total Assets</b>                       | <b>\$71,311</b>    | <b>\$14,379</b>    | <b>\$22,269</b>     | <b>\$5,215</b>                 | <b>\$113,174</b> |
| <b>LIABILITIES</b>                        |                    |                    |                     |                                |                  |
| <b>Current Liabilities</b>                |                    |                    |                     |                                |                  |
| Accounts Payable                          |                    |                    | \$400               | \$71                           | \$471            |
| Payroll and Related Liabilities           | \$20               | \$21               | 422                 | 206                            | 669              |
| Interfund Payables                        |                    |                    | 5                   |                                | 5                |
| Unearned Revenue                          | 12,030             |                    | 165                 | 453                            | 12,648           |
| Other Accrued Liabilities                 | 1                  | 2                  | 157                 |                                | 160              |
| Compensated Absences Payable              | 11                 | 23                 | 519                 | 246                            | 799              |
| Bonds, Notes, and Capital Leases Payable  |                    |                    | 187                 |                                | 187              |
| Policy Claim Liabilities                  | 5,071              | 4,335              |                     |                                | 9,406            |
| <b>Total Current Liabilities</b>          | <b>17,133</b>      | <b>4,381</b>       | <b>1,855</b>        | <b>976</b>                     | <b>24,345</b>    |
| <b>Noncurrent Liabilities</b>             |                    |                    |                     |                                |                  |
| Bonds, Notes, and Capital Leases Payable  |                    |                    | 2,708               |                                | 2,708            |
| Policy Claim Liabilities                  |                    | 8,557              |                     |                                | 8,557            |
| Other Long-Term Obligations               | 5                  | 9                  | 173                 | 83                             | 270              |
| <b>Total Noncurrent Liabilities</b>       | <b>5</b>           | <b>8,566</b>       | <b>2,881</b>        | <b>83</b>                      | <b>11,535</b>    |
| <b>Total Liabilities</b>                  | <b>17,138</b>      | <b>12,947</b>      | <b>4,736</b>        | <b>1,059</b>                   | <b>35,880</b>    |
| <b>NET POSITION</b>                       |                    |                    |                     |                                |                  |
| Net Investment in Capital Assets          | 3                  | 4                  | 12,372              | 781                            | 13,160           |
| Restricted for:                           |                    |                    |                     |                                |                  |
| Claims and Judgments                      | 25,677             |                    |                     |                                | 25,677           |
| Other Purposes                            | 28,493             | 1,428              | 2,148               | 3,375                          | 35,444           |
| Unrestricted                              |                    |                    | 3,013               |                                | 3,013            |
| <b>Total Net Position</b>                 | <b>54,173</b>      | <b>1,432</b>       | <b>17,533</b>       | <b>4,156</b>                   | <b>77,294</b>    |
| <b>Total Liabilities and Net Position</b> | <b>\$71,311</b>    | <b>\$14,379</b>    | <b>\$22,269</b>     | <b>\$5,215</b>                 | <b>\$113,174</b> |

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

## Internal Service Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                               | Group<br>Insurance | Risk<br>Management | General<br>Services | Data<br>Processing<br>Services | Total           |
|-----------------------------------------------|--------------------|--------------------|---------------------|--------------------------------|-----------------|
| <b>OPERATING REVENUES</b>                     |                    |                    |                     |                                |                 |
| Licenses, Permits, and Fees                   | \$4                |                    |                     |                                | \$4             |
| Sale of Goods and Services                    | 207,670            | \$7,015            | \$23,420            | \$7,276                        | 245,381         |
| Grants and Contributions                      |                    |                    | 58                  |                                | 58              |
| Other Income                                  |                    | 5                  | 184                 | 32                             | 221             |
| <b>Total Operating Revenues</b>               | <b>207,674</b>     | <b>7,020</b>       | <b>23,662</b>       | <b>7,308</b>                   | <b>245,664</b>  |
| <b>OPERATING EXPENSES</b>                     |                    |                    |                     |                                |                 |
| Personnel Costs                               | 373                | 414                | 8,287               | 3,962                          | 13,036          |
| Services and Supplies                         | 459                | 3,525              | 14,794              | 1,924                          | 20,702          |
| Benefits, Awards, and Premiums                | 216,498            | 4,411              |                     |                                | 220,909         |
| Depreciation                                  | 1                  | 1                  | 1,570               | 392                            | 1,964           |
| Other Expenses                                | 114                | 154                | 1,128               | 28                             | 1,424           |
| <b>Total Operating Expenses</b>               | <b>217,445</b>     | <b>8,505</b>       | <b>25,779</b>       | <b>6,306</b>                   | <b>258,035</b>  |
| <b>Operating Income (Loss)</b>                | <b>(9,771)</b>     | <b>(1,485)</b>     | <b>(2,117)</b>      | <b>1,002</b>                   | <b>(12,371)</b> |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                    |                    |                     |                                |                 |
| Investment Income                             | 122                | 109                | 25                  | 7                              | 263             |
| Interest Expense                              | (4)                | (1)                | (166)               |                                | (171)           |
| Gain (Loss) on Sale of Capital Assets         |                    |                    | 1                   |                                | 1               |
| Other Nonoperating Revenues (Expenses)        |                    |                    | (27)                |                                | (27)            |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>118</b>         | <b>108</b>         | <b>(167)</b>        | <b>7</b>                       | <b>66</b>       |
| <b>Income (Loss) Before Transfers</b>         | <b>(9,653)</b>     | <b>(1,377)</b>     | <b>(2,284)</b>      | <b>1,009</b>                   | <b>(12,305)</b> |
| Capital Contributions                         |                    |                    | 5                   |                                | 5               |
| Transfers In                                  |                    |                    | 2,760               |                                | 2,760           |
| Transfers Out                                 |                    |                    | (425)               |                                | (425)           |
| <b>Change in Net Position</b>                 | <b>(9,653)</b>     | <b>(1,377)</b>     | <b>56</b>           | <b>1,009</b>                   | <b>(9,965)</b>  |
| <b>Total Net Position - Beginning of Year</b> | <b>63,826</b>      | <b>2,809</b>       | <b>17,477</b>       | <b>3,147</b>                   | <b>87,259</b>   |
| <b>Total Net Position - End of Year</b>       | <b>\$54,173</b>    | <b>\$1,432</b>     | <b>\$17,533</b>     | <b>\$4,156</b>                 | <b>\$77,294</b> |

## Combining Statement of Cash Flows

## Internal Service Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                                                                                                                                                                               | Group<br>Insurance | Risk<br>Management |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                                                                                                                   |                    |                    |
| Receipts from Customers                                                                                                                                                                                       | \$12,453           | \$213              |
| Receipts for Interfund Services                                                                                                                                                                               | 194,322            | 6,814              |
| Receipts from Grants and Contributions                                                                                                                                                                        |                    |                    |
| Payments to Suppliers                                                                                                                                                                                         | (404)              | (3,505)            |
| Payments to Employees                                                                                                                                                                                         | (363)              | (414)              |
| Payments for Interfund Services                                                                                                                                                                               | (194)              | (171)              |
| Payments for Benefits, Awards, and Claims                                                                                                                                                                     | (214,208)          | (4,176)            |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                                                                                                                       | <b>(8,394)</b>     | <b>(1,239)</b>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                                                                                                                                        |                    |                    |
| Transfers In                                                                                                                                                                                                  |                    |                    |
| Transfers Out                                                                                                                                                                                                 |                    |                    |
| Interest Payments                                                                                                                                                                                             |                    |                    |
| <b>Net Cash Provided (Used) by Noncapital Financing Activities</b>                                                                                                                                            |                    |                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                                                                                                                               |                    |                    |
| Capital Grants and Contributions                                                                                                                                                                              |                    |                    |
| Principal Payments                                                                                                                                                                                            |                    |                    |
| Proceeds from Disposition of Capital Assets                                                                                                                                                                   |                    |                    |
| Interest Payments                                                                                                                                                                                             |                    |                    |
| Acquisition and Construction of Capital Assets                                                                                                                                                                |                    |                    |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                                                                                                                                   |                    |                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                                                                                                                                   |                    |                    |
| Receipt of Interest and Dividends                                                                                                                                                                             | 768                | 562                |
| Purchase of Investments                                                                                                                                                                                       | (456)              | (162)              |
| Redemption of Investments                                                                                                                                                                                     |                    | 4,644              |
| Other Investing Activities                                                                                                                                                                                    | (6)                | (3)                |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                                                                                                                                       | <b>306</b>         | <b>5,041</b>       |
| <b>Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash</b>                                                                                                                                     | <b>(8,088)</b>     | <b>3,802</b>       |
| <b>Beginning Cash, Cash Equivalents and Pooled Cash</b>                                                                                                                                                       | <b>56,192</b>      | <b>3,022</b>       |
| <b>Ending Cash, Cash Equivalents, and Pooled Cash</b>                                                                                                                                                         | <b>\$48,104</b>    | <b>\$6,824</b>     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>                                                                                                          |                    |                    |
| Operating Income (Loss)                                                                                                                                                                                       | (\$9,771)          | (\$1,485)          |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:                                                                                                                |                    |                    |
| Depreciation and Amortization                                                                                                                                                                                 | 1                  | 1                  |
| Net Changes in Assets and Liabilities:                                                                                                                                                                        |                    |                    |
| Accounts Receivable/Interfund Receivables                                                                                                                                                                     | 9                  | 7                  |
| Inventories and Prepaid Items                                                                                                                                                                                 |                    |                    |
| Other Assets                                                                                                                                                                                                  |                    |                    |
| Accounts Payable/Interfund Payables                                                                                                                                                                           | (13)               |                    |
| Unearned Revenue                                                                                                                                                                                              | (908)              |                    |
| Compensated Absences                                                                                                                                                                                          | 5                  |                    |
| Policy Claim Liabilities                                                                                                                                                                                      | 2,278              | 235                |
| Other Accrued Liabilities                                                                                                                                                                                     | 5                  | 3                  |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                                                                                                                       | <b>(\$8,394)</b>   | <b>(\$1,239)</b>   |
| <b>Noncash Transactions (dollars in thousands):</b>                                                                                                                                                           |                    |                    |
| Investments decreased in fair value by \$636 for Group Insurance and by \$427 for Risk Management. General Services removed capital leases of \$174 and disposed of capital assets of \$145 in prior periods. |                    |                    |

| <b>General<br/>Services</b> | <b>Data<br/>Processing<br/>Services</b> | <b>Total</b> |
|-----------------------------|-----------------------------------------|--------------|
| \$1,700                     | \$5                                     | \$14,371     |
| 22,034                      | 7,163                                   | 230,333      |
| 58                          |                                         | 58           |
| (13,632)                    | (1,576)                                 | (19,117)     |
| (8,305)                     | (3,977)                                 | (13,059)     |
| (2,185)                     | (114)                                   | (2,664)      |
|                             |                                         | (218,384)    |
| (330)                       | 1,501                                   | (8,462)      |
| 2,760                       |                                         | 2,760        |
| (425)                       |                                         | (425)        |
| 2                           |                                         | 2            |
| 2,337                       |                                         | 2,337        |
| 5                           |                                         | 5            |
| (284)                       |                                         | (284)        |
| 1                           |                                         | 1            |
| (168)                       |                                         | (168)        |
| (1,035)                     | (308)                                   | (1,343)      |
| (1,481)                     | (308)                                   | (1,789)      |
| 25                          | 7                                       | 1,362        |
|                             |                                         | (618)        |
|                             |                                         | 4,644        |
|                             |                                         | (9)          |
| 25                          | 7                                       | 5,379        |
| 551                         | 1,200                                   | (2,535)      |
| 4,829                       | 1,976                                   | 66,019       |
| \$5,380                     | \$3,176                                 | \$63,484     |
| (\$2,117)                   | \$1,002                                 | (\$12,371)   |
| 1,570                       | 392                                     | 1,964        |
| 52                          | (184)                                   | (116)        |
| 107                         | 222                                     | 329          |
| 1                           | 1                                       | 2            |
| (10)                        | 40                                      | 17           |
| 77                          | 43                                      | (788)        |
| (21)                        | (22)                                    | (38)         |
|                             |                                         | 2,513        |
| 11                          | 7                                       | 26           |
| (\$330)                     | \$1,501                                 | (\$8,462)    |



**FIDUCIARY FUNDS** report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

---

**PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS** account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, deferred compensation plans, and other postemployment benefit plans. The State's pension trust funds include the following:

**The PERSI Base Plan and the Firefighters' Retirement Fund** are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to eligible members' beneficiaries.

**The Judges' Retirement Fund** is a single-employer defined benefit plan that provides retirement benefits to retired justices, judges, eligible administrative directors, and allowances to surviving spouses.

**The Deferred Compensation Plan** is an IRS Section 457(b) tax-advantaged trust fund that accounts for the resources contributed by individuals to fund their retirement.

**The 414(k) Plan and the 401(k) Plan** are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

**The Sick Leave Insurance Reserve-State Fund and the Sick Leave Insurance Reserve-Schools Fund** provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

**INVESTMENT TRUST FUNDS** account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

**The Local Government Investment Pool** is an external investment pool sponsored by the State Treasurer's Office for Local Government Investment Pool participants. The purpose of the Pool is to provide a safe liquid vehicle for investing moneys not needed to meet immediate operating obligations and to obtain the best interest rate available at the time of investment.

**The Diversified Bond Fund** is an external investment pool sponsored by the State Treasurer's Office for Diversified Bond Fund participants. The purpose of the Fund is to provide an investment vehicle with a reasonable level of current income and potential capital appreciation as measured on a long-term basis.

**AGENCY FUNDS** account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency fund:

**The Custodial Fund** accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

**Combining Statement of Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds**
**June 30, 2013**
*(dollars in thousands)*

|                                    | <b>PERSI<br/>Base Plan</b> | <b>Firefighters'<br/>Retirement</b> | <b>Judges'<br/>Retirement</b> | <b>Deferred<br/>Compensation<br/>457 (b)</b> |
|------------------------------------|----------------------------|-------------------------------------|-------------------------------|----------------------------------------------|
| <b>ASSETS</b>                      |                            |                                     |                               |                                              |
| Cash and Cash Equivalents          | \$669                      | \$17                                | \$902                         |                                              |
| Pooled Cash and Investments        | 2,264                      | 58                                  | 280                           |                                              |
| Investments:                       |                            |                                     |                               |                                              |
| Pooled Short Term                  | 410,857                    | 10,489                              |                               |                                              |
| Fixed Income Investments           | 2,592,350                  | 66,184                              | 17,743                        | \$144,472                                    |
| Marketable Securities              | 7,294,243                  | 186,225                             | 47,750                        |                                              |
| Mutual Funds and Private Equities  | 963,422                    | 24,597                              |                               | 150,006                                      |
| Mortgages and Real Estate          | 924,271                    | 23,597                              |                               |                                              |
| Other Investments                  |                            |                                     |                               | 3,222                                        |
| Receivables:                       |                            |                                     |                               |                                              |
| Investments Sold                   | 177,931                    | 4,521                               |                               | 891                                          |
| Contributions                      | 4,616                      | 58                                  |                               | 64                                           |
| Interest and Dividends             | 35,198                     | 894                                 | 44                            |                                              |
| Interfund Receivables              |                            |                                     |                               |                                              |
| Other Receivables                  |                            |                                     | 171                           |                                              |
| Other Assets                       | 53,029                     |                                     |                               |                                              |
| Capital Assets, Net                | 4,748                      |                                     |                               |                                              |
| <b>Total Assets</b>                | <b>12,463,598</b>          | <b>316,640</b>                      | <b>66,890</b>                 | <b>298,655</b>                               |
| <b>LIABILITIES</b>                 |                            |                                     |                               |                                              |
| Accounts Payable                   | 662                        |                                     | 35                            |                                              |
| Interfund Payables                 | 1,675                      |                                     |                               |                                              |
| Investments Purchased              | 371,510                    | 9,440                               |                               |                                              |
| Other Accrued Liabilities          | 9,857                      | 243                                 |                               |                                              |
| <b>Total Liabilities</b>           | <b>383,704</b>             | <b>9,683</b>                        | <b>35</b>                     |                                              |
| <b>NET POSITION</b>                |                            |                                     |                               |                                              |
| Held in Trust for:                 |                            |                                     |                               |                                              |
| Employee Pension Benefits          | 12,079,894                 | 306,957                             | 66,855                        | 298,655                                      |
| Postemployment Healthcare Benefits |                            |                                     |                               |                                              |
| <b>Total Net Position</b>          | <b>\$12,079,894</b>        | <b>\$306,957</b>                    | <b>\$66,855</b>               | <b>\$298,655</b>                             |

| Defined<br>Contribution<br>414(k) | Defined<br>Contribution<br>401(k) | Sick Leave<br>Insurance<br>Reserve-State | Sick Leave<br>Insurance<br>Reserve-Schools | Total        |
|-----------------------------------|-----------------------------------|------------------------------------------|--------------------------------------------|--------------|
|                                   |                                   |                                          |                                            | \$1,588      |
|                                   |                                   | \$25                                     | \$53                                       | 2,680        |
|                                   | \$2,585                           |                                          |                                            | 423,931      |
|                                   |                                   | 33,486                                   | 47,653                                     | 2,901,888    |
|                                   |                                   | 91,037                                   | 150,686                                    | 7,769,941    |
| \$57,979                          | 464,826                           |                                          |                                            | 1,660,830    |
|                                   |                                   |                                          |                                            | 947,868      |
|                                   |                                   |                                          |                                            | 3,222        |
|                                   |                                   |                                          |                                            | 183,343      |
|                                   | 367                               |                                          |                                            | 5,105        |
| 163                               | 1,074                             |                                          |                                            | 37,373       |
|                                   |                                   | 563                                      | 1,112                                      | 1,675        |
|                                   |                                   |                                          |                                            | 171          |
|                                   |                                   | 358                                      | 839                                        | 54,226       |
|                                   |                                   |                                          |                                            | 4,748        |
| 58,142                            | 468,852                           | 125,469                                  | 200,343                                    | 13,998,589   |
|                                   |                                   |                                          |                                            | 697          |
|                                   |                                   |                                          |                                            | 1,675        |
|                                   |                                   |                                          |                                            | 380,950      |
|                                   |                                   | 12                                       | 20                                         | 10,132       |
|                                   |                                   | 12                                       | 20                                         | 393,454      |
|                                   |                                   |                                          |                                            |              |
| 58,142                            | 468,852                           |                                          |                                            | 13,279,355   |
|                                   |                                   | 125,457                                  | 200,323                                    | 325,780      |
| \$58,142                          | \$468,852                         | \$125,457                                | \$200,323                                  | \$13,605,135 |

## Combining Statement of Changes in Fiduciary Net Position

## Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                      | PERSI<br>Base Plan  | Firefighters'<br>Retirement | Judges'<br>Retirement | Deferred<br>Compensation<br>457 (b) |
|------------------------------------------------------|---------------------|-----------------------------|-----------------------|-------------------------------------|
| <b>ADDITIONS</b>                                     |                     |                             |                       |                                     |
| <b>Contributions:</b>                                |                     |                             |                       |                                     |
| Member                                               | \$184,652           | \$11                        | \$451                 | \$10,992                            |
| Employer                                             | 285,441             | 14,227                      | 526                   |                                     |
| Transfers In from Other Plans                        |                     |                             |                       | 8,502                               |
| <b>Total Contributions</b>                           | <b>470,093</b>      | <b>14,238</b>               | <b>977</b>            | <b>19,494</b>                       |
| <b>Investment Income:</b>                            |                     |                             |                       |                                     |
| Net Increase (Decrease) in Fair Value of Investments | 726,900             | 18,471                      | 6,433                 | 18,922                              |
| Interest, Dividends, and Other                       | 289,568             | 7,358                       | 1,721                 | 5,422                               |
| Less Investment Expense:                             |                     |                             |                       |                                     |
| Investment Activity Expense                          | (42,045)            | (1,068)                     | (142)                 |                                     |
| <b>Net Investment Income</b>                         | <b>974,423</b>      | <b>24,761</b>               | <b>8,012</b>          | <b>24,344</b>                       |
| Miscellaneous Income                                 | 16                  |                             | 2,135                 |                                     |
| <b>Total Additions</b>                               | <b>1,444,532</b>    | <b>38,999</b>               | <b>11,124</b>         | <b>43,838</b>                       |
| <b>DEDUCTIONS</b>                                    |                     |                             |                       |                                     |
| Benefits and Refunds Paid to Plan Members            | 687,987             | 19,801                      | 5,003                 |                                     |
| Transfers Out to Other Plans                         |                     |                             |                       |                                     |
| Administrative Expense                               | 6,308               |                             | 78                    | 11                                  |
| Participant Withdrawals                              |                     |                             |                       | 13,031                              |
| <b>Total Deductions</b>                              | <b>694,295</b>      | <b>19,801</b>               | <b>5,081</b>          | <b>13,042</b>                       |
| <b>Change in Net Position Held in Trust for:</b>     |                     |                             |                       |                                     |
| Employee Pension Benefits                            | 750,237             | 19,198                      | 6,043                 | 30,796                              |
| Employee Postemployment Healthcare Benefits          |                     |                             |                       |                                     |
| <b>Net Position - Beginning of Year</b>              | <b>11,329,657</b>   | <b>287,759</b>              | <b>60,812</b>         | <b>267,859</b>                      |
| <b>Net Position - End of Year</b>                    | <b>\$12,079,894</b> | <b>\$306,957</b>            | <b>\$66,855</b>       | <b>\$298,655</b>                    |

| Defined<br>Contribution<br>414(k) | Defined<br>Contribution<br>401(k) | Sick Leave<br>Insurance<br>Reserve-State | Sick Leave<br>Insurance<br>Reserve-Schools | Total        |
|-----------------------------------|-----------------------------------|------------------------------------------|--------------------------------------------|--------------|
| \$6                               | \$36,341                          |                                          |                                            | \$232,453    |
|                                   | 9,120                             | \$6,050                                  | \$13,381                                   | 328,745      |
|                                   | 9,132                             |                                          |                                            | 17,634       |
| 6                                 | 54,593                            | 6,050                                    | 13,381                                     | 578,832      |
| 3,732                             | 31,293                            | 15,207                                   | 24,583                                     | 845,541      |
| 1,390                             | 9,582                             |                                          |                                            | 315,041      |
| (197)                             | (150)                             | (65)                                     | (105)                                      | (43,772)     |
| 4,925                             | 40,725                            | 15,142                                   | 24,478                                     | 1,116,810    |
|                                   |                                   | 1                                        | 1                                          | 2,153        |
| 4,931                             | 95,318                            | 21,193                                   | 37,860                                     | 1,697,795    |
| 2,233                             | 8,019                             | 4,049                                    | 12,638                                     | 739,730      |
| 1,619                             | 15,382                            |                                          |                                            | 17,001       |
|                                   |                                   | 40                                       | 64                                         | 6,501        |
|                                   |                                   |                                          |                                            | 13,031       |
| 3,852                             | 23,401                            | 4,089                                    | 12,702                                     | 776,263      |
| 1,079                             | 71,917                            |                                          |                                            | 879,270      |
|                                   |                                   | 17,104                                   | 25,158                                     | 42,262       |
| 57,063                            | 396,935                           | 108,353                                  | 175,165                                    | 12,683,603   |
| \$58,142                          | \$468,852                         | \$125,457                                | \$200,323                                  | \$13,605,135 |

**Combining Statement of Fiduciary Net Position**

**Investment Trust Funds**

**June 30, 2013**

*(dollars in thousands)*

|                                       | <b>Local<br/>Government<br/>Investment Pool</b> | <b>Diversified<br/>Bond Fund</b> | <b>Total</b>       |
|---------------------------------------|-------------------------------------------------|----------------------------------|--------------------|
| <b>ASSETS</b>                         |                                                 |                                  |                    |
| Investments:                          |                                                 |                                  |                    |
| Pooled Short Term                     | \$410,336                                       | \$1,152                          | \$411,488          |
| Fixed Income Investments              | 978,706                                         | 83,900                           | 1,062,606          |
| Mortgages and Real Estate             |                                                 | 77,557                           | 77,557             |
| Receivables:                          |                                                 |                                  |                    |
| Interest and Dividends                | 2,498                                           | 673                              | 3,171              |
| <b>Total Assets</b>                   | <b>1,391,540</b>                                | <b>163,282</b>                   | <b>1,554,822</b>   |
| <b>LIABILITIES</b>                    |                                                 |                                  |                    |
| Accounts Payable                      | 34                                              | 4                                | 38                 |
| Other Accrued Liabilities             | 173                                             | 265                              | 438                |
| <b>Total Liabilities</b>              | <b>207</b>                                      | <b>269</b>                       | <b>476</b>         |
| <b>NET POSITION</b>                   |                                                 |                                  |                    |
| Held in Trust for:                    |                                                 |                                  |                    |
| External Investment Pool Participants | 1,391,333                                       | 163,013                          | 1,554,346          |
| <b>Total Net Position</b>             | <b>\$1,391,333</b>                              | <b>\$163,013</b>                 | <b>\$1,554,346</b> |

## Combining Statement of Changes in Fiduciary Net Position

## Investment Trust Funds

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                                      | Local<br>Government<br>Investment Pool | Diversified<br>Bond Fund | Total              |
|------------------------------------------------------|----------------------------------------|--------------------------|--------------------|
| <b>ADDITIONS</b>                                     |                                        |                          |                    |
| <b>Contributions:</b>                                |                                        |                          |                    |
| Participant Deposits                                 | \$3,150,491                            | \$24,209                 | \$3,174,700        |
| <b>Total Contributions</b>                           | <u>3,150,491</u>                       | <u>24,209</u>            | <u>3,174,700</u>   |
| <b>Investment Income:</b>                            |                                        |                          |                    |
| Net Increase (Decrease) in Fair Value of Investments | (14,808)                               | (4,410)                  | (19,218)           |
| Interest, Dividends, and Other                       | 17,682                                 | 4,626                    | 22,308             |
| Securities Lending Income                            | 571                                    | 58                       | 629                |
| Less Investment Expense:                             |                                        |                          |                    |
| Investment Activity Expense                          | (408)                                  | (307)                    | (715)              |
| Securities Lending Interest Expense                  | (458)                                  | (44)                     | (502)              |
| <b>Net Investment Income</b>                         | <u>2,579</u>                           | <u>(77)</u>              | <u>2,502</u>       |
| <b>Total Additions</b>                               | <u>3,153,070</u>                       | <u>24,132</u>            | <u>3,177,202</u>   |
| <b>DEDUCTIONS</b>                                    |                                        |                          |                    |
| Earnings Distribution                                | 2,674                                  | 3,070                    | 5,744              |
| Participant Withdrawals                              | 3,087,305                              | 7,953                    | 3,095,258          |
| <b>Total Deductions</b>                              | <u>3,089,979</u>                       | <u>11,023</u>            | <u>3,101,002</u>   |
| <b>Change in Net Position Held in Trust for:</b>     |                                        |                          |                    |
| External Investment Pool Participants                | 63,091                                 | 13,109                   | 76,200             |
| <b>Net Position - Beginning of Year</b>              | <u>1,328,242</u>                       | <u>149,904</u>           | <u>1,478,146</u>   |
| <b>Net Position - End of Year</b>                    | <u>\$1,391,333</u>                     | <u>\$163,013</u>         | <u>\$1,554,346</u> |

***State of Idaho***  
**Combining Statement of Assets and Liabilities**  
**Agency Fund**  
**June 30, 2013**  
*(dollars in thousands)*

|                                  | <b>Custodial</b> |
|----------------------------------|------------------|
| <b>ASSETS</b>                    |                  |
| Cash and Cash Equivalents        | \$21,252         |
| Pooled Cash and Investments      | 22,151           |
| Investments:                     |                  |
| Fixed Income Investments         | 279,390          |
| <b>Total Assets</b>              | <b>\$322,793</b> |
| <b>LIABILITIES</b>               |                  |
| Due to Other Entities            | \$662            |
| Amounts Held in Trust for Others | 322,131          |
| <b>Total Liabilities</b>         | <b>\$322,793</b> |

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                  | Balance<br>July 1, 2012 | Additions        | Deductions       | Balance<br>June 30, 2013 |
|----------------------------------|-------------------------|------------------|------------------|--------------------------|
| <b>CUSTODIAL</b>                 |                         |                  |                  |                          |
| <b>Assets</b>                    |                         |                  |                  |                          |
| Cash and Cash Equivalents        | \$9,068                 | \$21,251         | \$9,067          | \$21,252                 |
| Pooled Cash and Investments      | 20,003                  | 273,641          | 271,493          | 22,151                   |
| Fixed Income Investments         | 263,285                 | 279,390          | 263,285          | 279,390                  |
| <b>Total Assets</b>              | <b>\$292,356</b>        | <b>\$574,282</b> | <b>\$543,845</b> | <b>\$322,793</b>         |
| <b>Liabilities</b>               |                         |                  |                  |                          |
| Due to Other Entities            | \$757                   | \$7,624          | \$7,719          | \$662                    |
| Amounts Held in Trust for Others | 291,599                 | 413,286          | 382,754          | 322,131                  |
| Other Accrued Liabilities        |                         | 27,659           | 27,659           |                          |
| <b>Total Liabilities</b>         | <b>\$292,356</b>        | <b>\$448,569</b> | <b>\$418,132</b> | <b>\$322,793</b>         |

# STATISTICAL SECTION



*Old Rustic Barn* in Idaho Falls, Idaho

Photo Courtesy of Mike Hargis

## INDEX TO THE STATISTICAL SECTION

Financial Trends – These schedules assist the reader in understanding the State’s financial performance and well being over time.

|                                                                  |     |
|------------------------------------------------------------------|-----|
| Schedule 1 – Net Position by Component.....                      | 144 |
| Schedule 2 – Changes in Net Position.....                        | 146 |
| Schedule 3 – Fund Balances – Governmental Funds .....            | 148 |
| Schedule 4 – Changes in Fund Balances – Governmental Funds ..... | 150 |

Revenue Capacity Information – These schedules assist the reader in evaluating the State’s capacity to raise revenue to cover expenditures.

|                                                        |     |
|--------------------------------------------------------|-----|
| Schedule 5 – Revenue Base .....                        | 152 |
| Schedule 6 – Revenue Rates .....                       | 154 |
| Schedule 7 – Revenue Payers by Industry/Category ..... | 156 |

Debt Capacity Information – These schedules assist the reader in evaluating the State’s outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

|                                               |     |
|-----------------------------------------------|-----|
| Schedule 8 – Outstanding Debt Ratios.....     | 158 |
| Schedule 9 – Other Long-Term Liabilities..... | 159 |
| Schedule 10 – Pledged Revenue Coverage .....  | 160 |

Demographic and Economic Information – These schedules provide the reader with trend information on the size and economic health of the State.

|                                                        |     |
|--------------------------------------------------------|-----|
| Schedule 11 – Demographic and Economic Indicators..... | 162 |
| Schedule 12 – Principal Employers.....                 | 164 |
| Schedule 13 – Education Enrollment .....               | 164 |

Operating Information – These schedules assist the reader in evaluating the size and productivity of the state government.

|                                                      |     |
|------------------------------------------------------|-----|
| Schedule 14 – State Employees by Function .....      | 165 |
| Schedule 15 – Operating Indicators by Function ..... | 166 |
| Schedule 16 – Capital Assets by Function .....       | 168 |

Miscellaneous Statistics – This information may provide the reader with more insight into the State’s financial and demographic status.

|                                                                                                  |     |
|--------------------------------------------------------------------------------------------------|-----|
| Schedule 17 – Assets, Liabilities, and Fund Balances – General Fund Accounts.....                | 170 |
| Schedule 18 – Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts ..... | 172 |
| Schedule 19 – Miscellaneous Statistics.....                                                      | 174 |

Sources: Unless otherwise noted, the information in the following schedules is derived from the State’s Comprehensive Annual Financial Report.

Note: The schedules presented in the Statistical Section are not audited, and component unit data is not included.

**Schedule 1 - Net Position by Component****Fiscal Years 2004-2013***(accrual basis of accounting, dollars in thousands)*

|                                                    | 2004<br>(as restated) | 2005<br>(as restated) | 2006<br>(as restated) | 2007<br>(as restated) | 2008<br>(as restated) | 2009<br>(as restated) |
|----------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental Activities</b>                     |                       |                       |                       |                       |                       |                       |
| Net Investment in Capital Assets                   | \$3,779,232           | \$4,002,272           | \$4,203,011           | \$4,425,708           | \$4,469,933           | \$4,741,280           |
| Restricted <sup>1</sup>                            | 1,217,715             | 1,243,065             | 1,342,129             | 1,760,948             | 1,948,893             | 1,572,119             |
| Unrestricted <sup>2</sup>                          | 342,846               | 571,337               | 849,405               | 955,513               | 1,052,145             | 762,203               |
| <b>Total Governmental Activities Net Position</b>  | <b>\$5,339,793</b>    | <b>\$5,816,674</b>    | <b>\$6,394,545</b>    | <b>\$7,142,169</b>    | <b>\$7,470,971</b>    | <b>\$7,075,602</b>    |
| <b>Business-Type Activities</b>                    |                       |                       |                       |                       |                       |                       |
| Net Investment in Capital Assets                   | \$410,646             | \$446,693             | \$466,762             | \$513,071             | \$517,436             | \$559,719             |
| Restricted <sup>3</sup>                            | 637,393               | 619,214               | 720,583               | 813,742               | 829,237               | 640,587               |
| Unrestricted <sup>4</sup>                          | 84,174                | 146,942               | 163,636               | 189,577               | 190,656               | 198,573               |
| <b>Total Business-Type Activities Net Position</b> | <b>\$1,132,213</b>    | <b>\$1,212,849</b>    | <b>\$1,350,981</b>    | <b>\$1,516,390</b>    | <b>\$1,537,329</b>    | <b>\$1,398,879</b>    |
| <b>Primary Government</b>                          |                       |                       |                       |                       |                       |                       |
| Net Investment in Capital Assets                   | \$4,189,878           | \$4,448,965           | \$4,669,773           | \$4,938,779           | \$4,987,369           | \$5,300,999           |
| Restricted                                         | 1,855,108             | 1,862,279             | 2,062,712             | 2,574,690             | 2,778,130             | 2,212,706             |
| Unrestricted                                       | 427,020               | 718,279               | 1,013,041             | 1,145,090             | 1,242,801             | 960,776               |
| <b>Total Primary Government Net Position</b>       | <b>\$6,472,006</b>    | <b>\$7,029,523</b>    | <b>\$7,745,526</b>    | <b>\$8,658,559</b>    | <b>\$9,008,300</b>    | <b>\$8,474,481</b>    |

<sup>1</sup>In fiscal year (FY) 2007 governmental activities restricted net position increased mainly due to Land Endowment fund investment income, receipts from timber sales and land leases, and increased operating grants for health care assistance and infrastructure. In FY2008 net position increased mainly due to increased operating grants for health care assistance, education, and infrastructure. In FY2009 net position decreased primarily because of the national recession and the decrease in fair market value of investments, primarily related to the Land Endowment fund. In FY2010 and FY2011 net position increased primarily due to the increase in federal grant revenue from the American Recovery and Reinvestment Act. In FY2012 net position increased due to lower Medicaid and rehabilitation service costs. In FY2013 net position increased primarily due to the increase in fair market value of investments, primarily related to the Land Endowment fund.

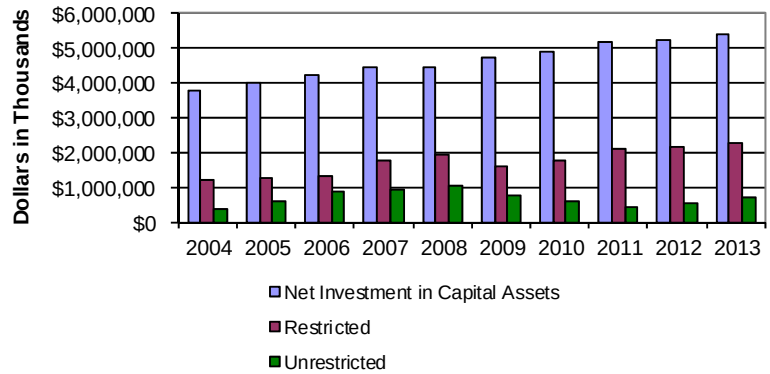
<sup>2</sup>Large fluctuations in governmental activities unrestricted net position balances occurred primarily as income tax and sales tax revenues increased and decreased due to significant changes in economic conditions. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property tax by shifting public schools' maintenance and operating expenses from counties to the state.

<sup>3</sup>Significant increases of business-type activities restricted net position were mainly due to increases in unemployment compensation assessment collections and/or decreases in unemployment claims. In fiscal year 2009 net position decreased predominantly because of increased unemployment compensation benefit payments resulting from the economic downturn.

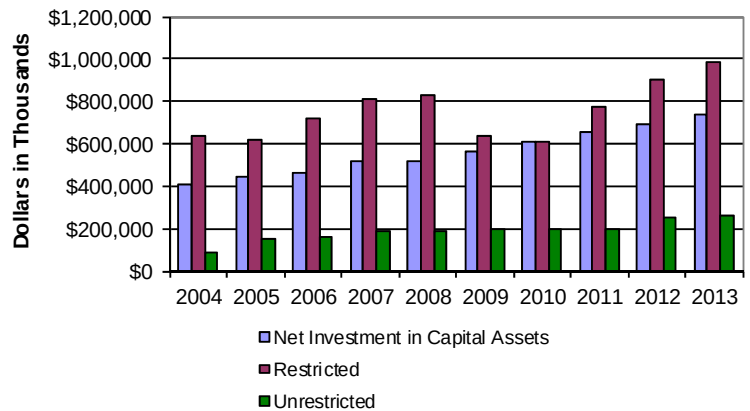
<sup>4</sup>In fiscal years 2005 and 2012 net position increased primarily due to increased student tuition and fees for the colleges and universities.

| 2010<br>(as restated) | 2011<br>(as restated) | 2012<br>(as restated) | 2013                |
|-----------------------|-----------------------|-----------------------|---------------------|
| \$4,911,547           | \$5,143,290           | \$5,245,731           | \$5,378,941         |
| 1,782,945             | 2,085,542             | 2,133,964             | 2,274,707           |
| 578,255               | 445,911               | 531,537               | 716,953             |
| <b>\$7,272,747</b>    | <b>\$7,674,743</b>    | <b>\$7,911,232</b>    | <b>\$8,370,601</b>  |
|                       |                       |                       |                     |
| \$607,694             | \$656,020             | \$695,405             | \$737,208           |
| 604,851               | 769,555               | 901,322               | 982,739             |
| 193,027               | 194,364               | 251,802               | 262,868             |
| <b>\$1,405,572</b>    | <b>\$1,619,939</b>    | <b>\$1,848,529</b>    | <b>\$1,982,815</b>  |
|                       |                       |                       |                     |
| \$5,519,241           | \$5,799,310           | \$5,941,136           | \$6,116,149         |
| 2,387,796             | 2,855,097             | 3,035,286             | 3,257,446           |
| 771,282               | 640,275               | 783,339               | 979,821             |
| <b>\$8,678,319</b>    | <b>\$9,294,682</b>    | <b>\$9,759,761</b>    | <b>\$10,353,416</b> |

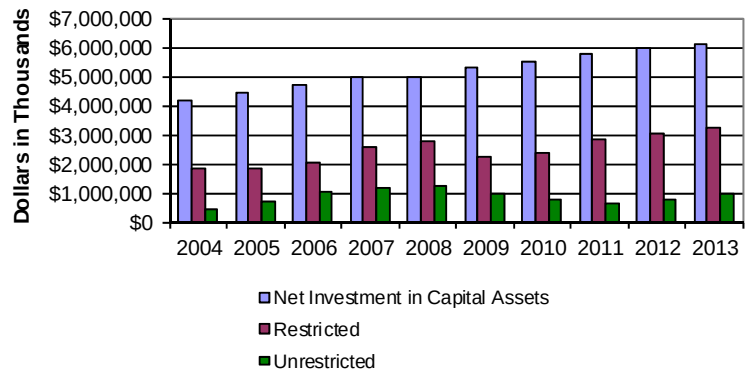
**Governmental Activities Net Position by Component  
Fiscal Years 2004-2013**



**Business-Type Activities Net Position by Component  
Fiscal Years 2004-2013**



**Primary Government Net Position by Component  
Fiscal Years 2004-2013**



## Schedule 2 - Changes in Net Position

## Fiscal Years 2004-2013

(accrual basis of accounting, dollars in thousands)

|                                                                     | 2004<br>(as restated) | 2005<br>(as restated) | 2006<br>(as restated) | 2007<br>(as restated) | 2008<br>(as restated) | 2009<br>(as restated) |
|---------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Governmental Activities:</b>                                     |                       |                       |                       |                       |                       |                       |
| <b>Expenses</b>                                                     |                       |                       |                       |                       |                       |                       |
| General Government <sup>1,2</sup>                                   | \$349,990             | \$393,172             | \$420,772             | \$403,506             | \$463,125             | \$450,875             |
| Public Safety and Correction <sup>1</sup>                           | 241,550               | 229,158               | 266,036               | 285,669               | 324,843               | 326,125               |
| Health and Human Services <sup>3</sup>                              | 1,507,865             | 1,600,692             | 1,676,706             | 1,750,187             | 1,818,932             | 2,115,148             |
| Education <sup>1</sup>                                              | 1,287,879             | 1,331,795             | 1,385,448             | 1,704,447             | 1,796,160             | 1,850,258             |
| Economic Development                                                | 600,341               | 616,149               | 629,499               | 673,234               | 756,677               | 743,811               |
| Natural Resources                                                   | 186,594               | 205,635               | 213,599               | 217,222               | 243,925               | 241,108               |
| Interest Expense                                                    | 16,556                | 18,175                | 21,130                | 32,232                | 45,530                | 46,767                |
| Total Expenses                                                      | 4,190,775             | 4,394,776             | 4,613,190             | 5,066,497             | 5,449,192             | 5,774,092             |
| <b>Program Revenues</b>                                             |                       |                       |                       |                       |                       |                       |
| Charges for Services:                                               |                       |                       |                       |                       |                       |                       |
| General Government <sup>4</sup>                                     | 133,855               | 96,174                | 92,873                | 77,750                | 119,443               | 93,376                |
| Economic Development                                                | 198,643               | 203,550               | 215,735               | 239,728               | 258,576               | 256,184               |
| Natural Resources                                                   | 123,613               | 123,183               | 146,481               | 145,349               | 150,752               | 133,138               |
| Other Activities <sup>5</sup>                                       | 103,702               | 118,346               | 117,865               | 135,765               | 128,367               | 138,276               |
| Operating Grants and Contributions <sup>6</sup>                     | 1,787,214             | 1,832,487             | 1,899,754             | 2,045,958             | 1,955,236             | 2,034,795             |
| Capital Grants and Contributions                                    | 3,284                 | 5,211                 | 8,624                 | 1,481                 | 906                   | 8,892                 |
| Total Program Revenues                                              | 2,350,311             | 2,378,951             | 2,481,332             | 2,646,031             | 2,613,280             | 2,664,661             |
| <b>Total Governmental Activities Net Program Expense</b>            | <b>(1,840,464)</b>    | <b>(2,015,825)</b>    | <b>(2,131,858)</b>    | <b>(2,420,466)</b>    | <b>(2,835,912)</b>    | <b>(3,109,431)</b>    |
| <b>General Revenues and Other Changes in Net Position</b>           |                       |                       |                       |                       |                       |                       |
| Taxes:                                                              |                       |                       |                       |                       |                       |                       |
| Sales Tax <sup>7</sup>                                              | 1,039,746             | 1,135,210             | 1,061,861             | 1,296,040             | 1,334,032             | 1,177,106             |
| Individual and Corporate Taxes <sup>8</sup>                         | 991,520               | 1,167,799             | 1,428,996             | 1,605,218             | 1,599,881             | 1,320,968             |
| Fuel Tax                                                            | 215,096               | 220,801               | 224,373               | 232,025               | 228,786               | 214,113               |
| Other Taxes                                                         | 182,606               | 185,375               | 182,112               | 185,748               | 185,874               | 186,489               |
| Tobacco Settlement                                                  | 23,004                | 23,145                | 21,404                | 27,328                | 28,631                | 31,094                |
| Grants Not Restricted to Specific Programs                          | 50,007                |                       |                       |                       |                       |                       |
| Unrestricted Investment Earnings                                    | 12,020                | 15,595                | 34,734                | 35,430                | 51,537                | 36,139                |
| Transfers                                                           | (226,193)             | (255,219)             | (243,751)             | (213,699)             | (264,027)             | (251,847)             |
| Total General Revenues and Other Changes in Net Position            | 2,287,806             | 2,492,706             | 2,709,729             | 3,168,090             | 3,164,714             | 2,714,062             |
| <b>Total Governmental Activities Change in Net Position</b>         | <b>\$447,342</b>      | <b>\$476,881</b>      | <b>\$577,871</b>      | <b>\$747,624</b>      | <b>\$328,802</b>      | <b>(\$395,369)</b>    |
| <b>Business-Type Activities:</b>                                    |                       |                       |                       |                       |                       |                       |
| <b>Expenses</b>                                                     |                       |                       |                       |                       |                       |                       |
| College and University                                              | \$699,674             | \$753,689             | \$780,066             | \$815,373             | \$875,586             | \$896,993             |
| Unemployment Compensation <sup>9</sup>                              | 164,950               | 142,862               | 109,113               | 109,338               | 171,918               | 338,600               |
| Loan                                                                | 913                   | 654                   | 719                   | 954                   | 2,267                 | 5,910                 |
| State Lottery                                                       | 85,046                | 89,424                | 97,605                | 99,307                | 102,065               | 105,780               |
| State Liquor                                                        | 75,747                | 79,817                | 93,204                | 105,126               | 112,476               | 117,185               |
| Correctional Industries                                             | 5,835                 | 5,655                 | 6,239                 | 6,852                 | 7,574                 | 8,323                 |
| Total Expenses                                                      | 1,032,165             | 1,072,101             | 1,086,946             | 1,136,950             | 1,271,886             | 1,472,791             |
| <b>Revenues</b>                                                     |                       |                       |                       |                       |                       |                       |
| Charges for Services:                                               |                       |                       |                       |                       |                       |                       |
| College and University                                              | 250,417               | 283,463               | 315,924               | 341,823               | 337,699               | 339,989               |
| Unemployment Compensation <sup>10</sup>                             | 130,789               | 143,828               | 159,365               | 191,758               | 126,575               | 130,879               |
| State Lottery                                                       | 109,443               | 113,613               | 131,305               | 130,811               | 137,664               | 140,316               |
| Other Activities                                                    | 96,490                | 108,600               | 124,600               | 142,193               | 152,428               | 156,483               |
| Operating Grants and Contributions <sup>11</sup>                    | 222,013               | 228,049               | 229,902               | 227,620               | 244,954               | 293,673               |
| Capital Grants and Contributions                                    | 23,833                | 19,965                | 20,231                | 54,455                | 29,478                | 21,154                |
| Total Revenues                                                      | 832,985               | 897,518               | 981,327               | 1,088,660             | 1,028,798             | 1,082,494             |
| <b>Total Business-Type Activities Net Program Revenue (Expense)</b> | <b>(199,180)</b>      | <b>(174,583)</b>      | <b>(105,619)</b>      | <b>(48,290)</b>       | <b>(243,088)</b>      | <b>(390,297)</b>      |
| <b>General Revenues and Other Changes in Net Position</b>           |                       |                       |                       |                       |                       |                       |
| Special Item                                                        |                       |                       |                       |                       |                       |                       |
| Transfers                                                           | 226,193               | 255,219               | 243,751               | 213,699               | 264,027               | 251,847               |
| Total General Revenues and Other Changes in Net Position            | 226,193               | 255,219               | 243,751               | 213,699               | 264,027               | 251,847               |
| <b>Total Business-Type Activities Change in Net Position</b>        | <b>\$27,014</b>       | <b>\$80,636</b>       | <b>\$138,132</b>      | <b>\$165,409</b>      | <b>\$20,939</b>       | <b>(\$138,450)</b>    |
| <b>Total Primary Government Change in Net Position</b>              | <b>\$474,355</b>      | <b>\$557,517</b>      | <b>\$716,003</b>      | <b>\$913,033</b>      | <b>\$349,741</b>      | <b>(\$533,819)</b>    |

<sup>1</sup>In fiscal year 2011 most expenses decreased due to effects of the national recession.<sup>2</sup>In fiscal year 2013 expenses increased primarily due to an increase in lease payments to the Idaho State Building Authority.<sup>3</sup>In fiscal years 2011 through 2013 expenses for health and human services fluctuated due to changes in medical assistance payments related to Medicaid and rehabilitation services payments.<sup>4</sup>In fiscal year 2011 charges for services increased as the economy began to improve.<sup>5</sup>In fiscal years (FY) 2010 and 2011 fluctuations in other activities revenue were caused by a change in the way revenue is recorded. In FY2012 Department of Health & Welfare grant revenue decreased due to a reduction in American Recovery and Reinvestment Act funding.<sup>6</sup>In fiscal year (FY) 2007 operating grants and contributions revenue surged primarily due to increased federal health care assistance and infrastructure grants. In FY2010-2012 amounts shifted primarily because of changes in the American Recovery and Reinvestment Act stimulus funding. In FY2013 revenues from operating grants and contributions increased primarily due to an increase in the fair market value of Endowment Fund Investment Board investments and interest income.

| 2010<br>(as restated) | 2011<br>(as restated) | 2012<br>(as restated) | 2013               |
|-----------------------|-----------------------|-----------------------|--------------------|
| \$548,757             | \$426,506             | \$413,832             | \$470,836          |
| 320,423               | 296,034               | 335,493               | 353,585            |
| 2,092,319             | 2,577,700             | 2,396,437             | 2,532,626          |
| 1,830,608             | 1,777,026             | 1,712,567             | 1,707,233          |
| 799,054               | 829,130               | 820,530               | 811,193            |
| 241,508               | 241,203               | 264,080               | 245,452            |
| 45,782                | 50,773                | 50,372                | 49,961             |
| <b>5,878,451</b>      | <b>6,198,372</b>      | <b>5,993,311</b>      | <b>6,170,886</b>   |
| 79,833                | 109,387               | 97,411                | 104,973            |
| 239,107               | 248,199               | 266,320               | 252,221            |
| 127,037               | 133,317               | 159,633               | 151,126            |
| 76,575                | 163,505               | 118,255               | 127,082            |
| 2,935,393             | 3,160,919             | 2,664,743             | 2,828,808          |
| 4,660                 | 6,058                 | 2,568                 | 10,492             |
| <b>3,462,605</b>      | <b>3,821,385</b>      | <b>3,308,930</b>      | <b>3,474,702</b>   |
| <b>(2,415,846)</b>    | <b>(2,376,987)</b>    | <b>(2,684,381)</b>    | <b>(2,696,184)</b> |

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| 1,127,013        | 1,165,095        | 1,213,623        | 1,315,002        |
| 1,242,032        | 1,296,558        | 1,390,226        | 1,533,850        |
| 221,142          | 231,732          | 216,249          | 237,647          |
| 186,130          | 227,075          | 240,757          | 220,507          |
| 26,120           | 24,576           | 21,103           | 24,912           |
| 16,800           | 18,516           | 17,365           | 19,142           |
| <b>(206,246)</b> | <b>(184,569)</b> | <b>(178,453)</b> | <b>(195,507)</b> |
| <b>2,612,991</b> | <b>2,778,983</b> | <b>2,920,870</b> | <b>3,155,553</b> |
| <b>\$197,145</b> | <b>\$401,996</b> | <b>\$236,489</b> | <b>\$459,369</b> |

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| \$898,012        | \$923,760        | \$969,419        | \$986,269        |
| 666,808          | 482,087          | 358,283          | 252,666          |
| 9,624            | 14,571           | 7,112            | 8,487            |
| 110,204          | 112,003          | 134,055          | 150,599          |
| 118,022          | 117,039          | 123,656          | 135,565          |
| 6,553            | 6,727            | 8,030            | 7,677            |
| <b>1,809,223</b> | <b>1,656,187</b> | <b>1,600,555</b> | <b>1,541,263</b> |

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| 368,504          | 405,450          | 436,208          | 445,649          |
| 255,278          | 337,479          | 351,781          | 314,630          |
| 147,931          | 147,849          | 176,547          | 198,169          |
| 156,407          | 160,749          | 175,435          | 180,645          |
| 637,456          | 606,597          | 485,777          | 383,575          |
| 44,094           | 27,861           | 24,944           | 38,364           |
| <b>1,609,670</b> | <b>1,685,985</b> | <b>1,650,692</b> | <b>1,561,032</b> |
| <b>(199,553)</b> | <b>29,798</b>    | <b>50,137</b>    | <b>19,769</b>    |

|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
|                  |                  |                  | (80,990)         |
| 206,246          | 184,569          | 178,453          | 195,507          |
| 206,246          | 184,569          | 178,453          | 114,517          |
| <b>\$6,693</b>   | <b>\$214,367</b> | <b>\$228,590</b> | <b>\$134,286</b> |
| <b>\$203,838</b> | <b>\$616,363</b> | <b>\$465,079</b> | <b>\$593,655</b> |

<sup>7</sup>The state sales tax increased from 5 percent to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005. In fiscal year (FY) 2007 the state sales tax permanently increased from 5 percent to 6 percent. In FY2009-2010 and FY2012-2013 sales tax revenue increased and decreased due to swings in the economy and changes of employment and personal income levels.

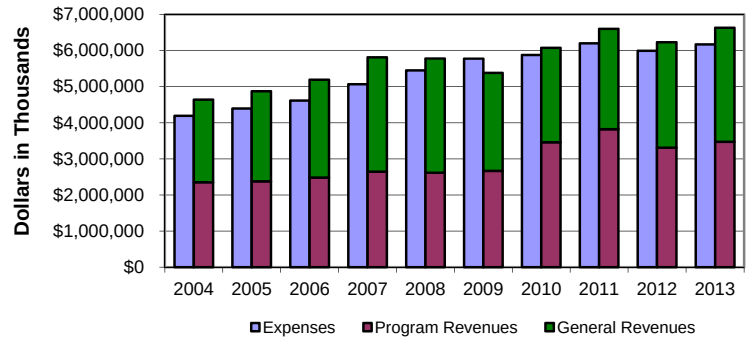
<sup>8</sup>In fiscal years 2006-2013 individual and corporate income tax revenues increased and decreased due to changes in the economy and levels of employment and personal income.

<sup>9</sup>Decreases and increases in unemployment compensation in fiscal years 2008-2013 relate to the degradation and improvement of economic conditions.

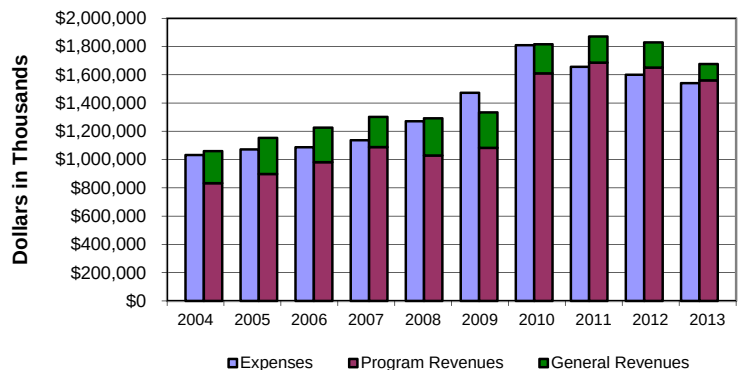
<sup>10</sup>In fiscal years 2010-2012 unemployment compensation revenues increased due to increased assessment collections for unemployment benefits. In FY2013 unemployment compensation revenues decreased due to a lower employer contribution rate.

<sup>11</sup>In fiscal year 2010 operating grants and contributions grew because of increased federal grant revenue for unemployment benefits.

**Expenses and Revenues - Governmental Activities  
Fiscal Years 2004-2013**



**Expenses and Revenues - Business-Type Activities  
Fiscal Years 2004-2013**



**Schedule 3 - Fund Balances - Governmental Funds****Fiscal Years 2004-2013***(modified accrual basis of accounting, dollars in thousands)*

|                                                 | <b>2004</b>        | <b>2005</b>        | <b>2006</b>        | <b>2007</b>        | <b>2008</b>        | <b>2009</b>        |
|-------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                                 | (as restated)      | (as restated)      | (as restated)      | (as restated)      | (as restated)      | (as restated)      |
| <b>General Fund</b>                             |                    |                    |                    |                    |                    |                    |
| Nonspendable                                    |                    |                    |                    |                    |                    |                    |
| Restricted <sup>1</sup>                         | \$56,400           | \$66,793           | \$31,818           | \$62,997           | \$85,637           | \$98,802           |
| Committed <sup>2</sup>                          | 31,943             | 46,230             | 57,283             | 355,735            | 369,896            | 213,835            |
| Assigned                                        | 22,180             | 22,529             | 23,389             | 34,870             | 40,949             | 35,221             |
| Unassigned <sup>3</sup>                         | 224,873            | 402,069            | 676,152            | 649,565            | 704,776            | 426,885            |
| <b>Total General Fund</b>                       | <b>335,396</b>     | <b>537,621</b>     | <b>788,642</b>     | <b>1,103,167</b>   | <b>1,201,258</b>   | <b>774,743</b>     |
| <b>All Other Governmental Funds</b>             |                    |                    |                    |                    |                    |                    |
| Nonspendable <sup>4</sup>                       | 770,481            | 845,563            | 952,488            | 1,140,718          | 1,128,417          | 923,217            |
| Restricted <sup>5</sup>                         | 355,875            | 299,795            | 324,076            | 489,564            | 510,715            | 451,173            |
| Committed                                       | 55,484             | 78,399             | 49,956             | 59,079             | 77,621             | 83,527             |
| Assigned                                        | 1,525              | 1,726              | 1,402              | 1,115              | 1,012              | 1,298              |
| Unassigned <sup>6</sup>                         |                    |                    |                    |                    |                    |                    |
| <b>Total All Other Governmental Funds</b>       | <b>1,183,365</b>   | <b>1,225,483</b>   | <b>1,327,922</b>   | <b>1,690,476</b>   | <b>1,717,765</b>   | <b>1,459,215</b>   |
| <b>Total Fund Balances - Governmental Funds</b> | <b>\$1,518,761</b> | <b>\$1,763,104</b> | <b>\$2,116,564</b> | <b>\$2,793,643</b> | <b>\$2,919,023</b> | <b>\$2,233,958</b> |

Note: GASB Statement No. 54 was implemented in fiscal year 2011. The standard required the reclassification of fund balances. Prior years have been restated.

<sup>1</sup>Increases and decreases in the General Fund restricted fund balance in each fiscal year occurred primarily due to changes in sales tax revenue caused by prevailing economic conditions. In fiscal year (FY) 2007 the fund balance also increased due to the funding of the Millennium Permanent Endowment fund and the Capitol restoration project.

<sup>2</sup>Fluctuations in the General Fund committed fund balance in each fiscal year resulted primarily from changes in personal and corporate income tax revenue. Significant variances occurred in response to prevailing economic conditions.

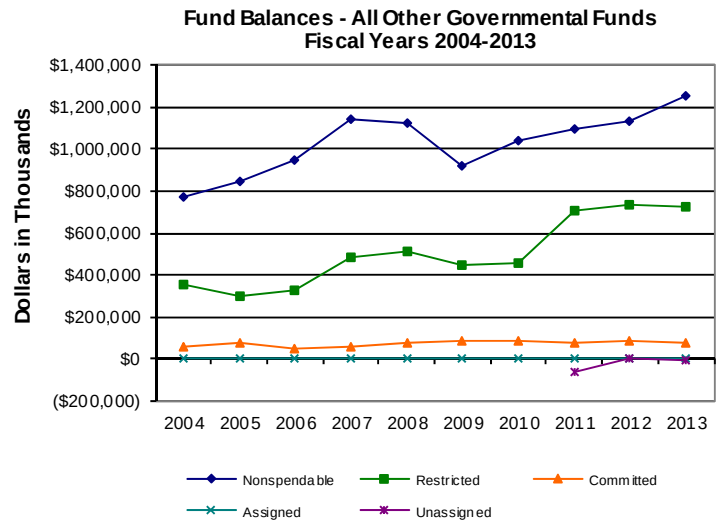
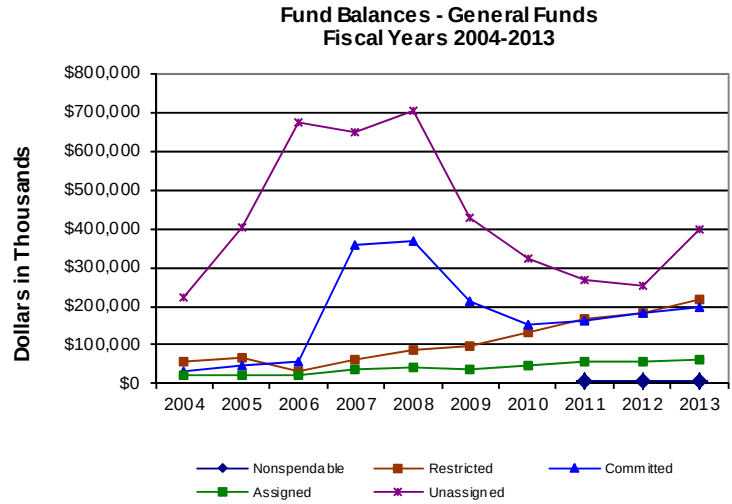
<sup>3</sup>Increases and decreases in the General Fund unassigned fund balance resulted from surging and weakening economic conditions.

<sup>4</sup>Large changes in the Governmental Funds nonspendable fund balance occurred primarily because of significant variances in Land Endowment fund fair market value.

<sup>5</sup>In FY2007 the Governmental Funds restricted fund balance increased predominantly because of additional investment income, timber sales, and land leases receipts. In FY2011 the fund balance increased largely due to receiving American Recovery and Reinvestment Act funds for the Idaho Transportation Department.

<sup>6</sup>In FY2011 and FY2013 the Department of Health and Welfare reported a negative unassigned fund balance due to increased expenditures for health and human services.

| 2010<br>(as restated) | 2011<br>(as restated) | 2012<br>(as restated) | 2013               |
|-----------------------|-----------------------|-----------------------|--------------------|
|                       | \$7,922               | \$8,837               | \$9,292            |
| \$130,262             | 169,754               | 184,438               | 219,271            |
| 154,168               | 162,583               | 185,098               | 195,479            |
| 45,936                | 55,778                | 57,271                | 63,806             |
| 320,487               | 269,251               | 251,023               | 395,816            |
| 650,853               | 665,288               | 686,667               | 883,664            |
|                       |                       |                       |                    |
| 1,043,787             | 1,097,816             | 1,135,746             | 1,255,497          |
| 461,572               | 709,521               | 735,415               | 729,526            |
| 86,434                | 78,794                | 85,124                | 77,505             |
| 1,320                 | 1,651                 | 2,238                 | 2,689              |
|                       | (57,026)              |                       | (6,361)            |
| 1,593,113             | 1,830,756             | 1,958,523             | 2,058,856          |
| <b>\$2,243,966</b>    | <b>\$2,496,044</b>    | <b>\$2,645,190</b>    | <b>\$2,942,520</b> |



## Schedule 4 - Changes in Fund Balances - Governmental Funds

Fiscal Years 2004-2013

(modified accrual basis of accounting, dollars in thousands)

|                                                                | 2004<br>(as restated) | 2005<br>(as restated) | 2006<br>(as restated) | 2007<br>(as restated) | 2008<br>(as restated) | 2009<br>(as restated) |
|----------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Revenues</b>                                                |                       |                       |                       |                       |                       |                       |
| Sales Tax <sup>1</sup>                                         | \$1,040,448           | \$1,137,138           | \$1,060,612           | \$1,300,416           | \$1,333,018           | \$1,174,802           |
| Individual and Corporate Taxes <sup>2</sup>                    | 997,454               | 1,176,903             | 1,436,168             | 1,598,702             | 1,587,694             | 1,325,996             |
| Other Taxes                                                    | 397,950               | 406,620               | 406,336               | 417,763               | 414,671               | 398,639               |
| Licenses, Permits, and Fees                                    | 240,323               | 244,165               | 256,900               | 273,223               | 279,156               | 277,354               |
| Sale of Goods and Services                                     | 252,291               | 231,728               | 235,410               | 235,750               | 231,885               | 232,526               |
| Grants and Contributions <sup>3</sup>                          | 1,719,520             | 1,757,713             | 1,806,749             | 1,880,049             | 1,962,931             | 2,251,714             |
| Investment Income <sup>4</sup>                                 | 135,718               | 104,557               | 144,559               | 225,717               | 63,406                | (123,820)             |
| Tobacco Settlement                                             | 22,848                | 23,151                | 21,253                | 23,712                | 28,504                | 30,965                |
| Other Income                                                   | 47,658                | 48,047                | 47,606                | 65,538                | 61,530                | 61,943                |
| <b>Total Revenues</b>                                          | <b>4,854,210</b>      | <b>5,130,022</b>      | <b>5,415,593</b>      | <b>6,020,870</b>      | <b>5,962,795</b>      | <b>5,630,119</b>      |
| <b>Expenditures</b>                                            |                       |                       |                       |                       |                       |                       |
| General Government <sup>5</sup>                                | 122,876               | 143,584               | 147,445               | 151,358               | 177,312               | 186,119               |
| Public Safety and Correction                                   | 219,417               | 233,598               | 253,504               | 269,874               | 300,106               | 305,141               |
| Health and Human Services <sup>6</sup>                         | 1,468,736             | 1,561,765             | 1,641,421             | 1,701,863             | 1,775,609             | 2,096,507             |
| Education <sup>5, 7</sup>                                      | 1,279,486             | 1,324,069             | 1,379,775             | 1,683,254             | 1,777,690             | 1,843,401             |
| Economic Development                                           | 307,312               | 346,256               | 358,814               | 368,439               | 390,424               | 406,694               |
| Natural Resources                                              | 163,769               | 178,401               | 188,784               | 186,179               | 217,214               | 212,398               |
| Capital Outlay <sup>5, 8</sup>                                 | 436,133               | 433,096               | 423,582               | 452,755               | 545,059               | 634,187               |
| Intergovernmental Revenue Sharing                              | 385,698               | 393,195               | 425,414               | 441,421               | 452,089               | 436,866               |
| Debt Service:                                                  |                       |                       |                       |                       |                       |                       |
| Principal                                                      | 8,061                 | 10,880                | 10,751                | 12,403                | 92,377                | 55,645                |
| Interest                                                       | 8,069                 | 17,671                | 20,736                | 25,576                | 45,365                | 49,368                |
| <b>Total Expenditures</b>                                      | <b>4,399,557</b>      | <b>4,642,515</b>      | <b>4,850,226</b>      | <b>5,293,122</b>      | <b>5,773,245</b>      | <b>6,226,326</b>      |
| <b>Revenues Over (Under) Expenditures</b>                      | <b>454,653</b>        | <b>487,507</b>        | <b>565,367</b>        | <b>727,748</b>        | <b>189,550</b>        | <b>(596,207)</b>      |
| <b>Other Financing Sources (Uses)</b>                          |                       |                       |                       |                       |                       |                       |
| Bonds and Notes Issued                                         | 64,795                | 26                    | 10,790                | 155,463               | 187,603               | 152,641               |
| Issuance of Refunding Bonds                                    |                       |                       |                       |                       |                       |                       |
| Premium/(Discount) on Bonds Issued                             | (864)                 |                       | (23)                  | 6,533                 |                       |                       |
| Payment to Refunded Bond Escrow Agent <sup>9</sup>             |                       |                       |                       | (4,765)               |                       |                       |
| Capital Lease Acquisitions                                     |                       | 3,757                 | 5,697                 |                       | 1,039                 | 22                    |
| Sale of Capital Assets                                         | 6,909                 | 8,037                 | 17,193                | 7,066                 | 11,590                | 11,947                |
| Transfers In                                                   | 553,181               | 594,877               | 640,776               | 713,275               | 731,774               | 700,654               |
| Transfers Out                                                  | (779,283)             | (849,861)             | (886,340)             | (928,241)             | (996,176)             | (954,122)             |
| <b>Total Other Financing Sources (Uses)</b>                    | <b>(155,262)</b>      | <b>(243,164)</b>      | <b>(211,907)</b>      | <b>(50,669)</b>       | <b>(64,170)</b>       | <b>(88,858)</b>       |
| <b>Net Changes in Fund Balances</b>                            | <b>\$299,391</b>      | <b>\$244,343</b>      | <b>\$353,460</b>      | <b>\$677,079</b>      | <b>\$125,380</b>      | <b>(\$685,065)</b>    |
| <b>Debt Service as a Percentage of Noncapital Expenditures</b> | <b>&lt;1</b>          | <b>&lt;1</b>          | <b>&lt;1</b>          | <b>&lt;1</b>          | <b>2.5</b>            | <b>1.8</b>            |

<sup>1</sup>From May 1, 2003, to July 1, 2005, the Legislature imposed a temporary sales tax increase from 5 percent to 6 percent. On October 1, 2006, the state sales tax rate permanently increased from 5 percent to 6 percent. In fiscal years 2009-2013 sales tax revenue changed in response to fluctuating levels of employment and personal income.

<sup>2</sup>Individual and corporate income tax revenues increased and decreased due to the relative strengthening and weakening of the economy.

<sup>3</sup>In fiscal years 2009-2011 grants and contributions increased primarily due to American Recovery and Reinvestment Act funds for health, transportation, and education.

<sup>4</sup>Investment income increased and decreased primarily due to changes in the fair values of investments in the Land Endowment fund.

| 2010<br>(as restated) | 2011<br>(as restated) | 2012             | 2013             |
|-----------------------|-----------------------|------------------|------------------|
| \$1,122,384           | \$1,163,526           | \$1,214,491      | \$1,318,383      |
| 1,228,463             | 1,288,869             | 1,389,291        | 1,531,975        |
| 409,924               | 459,162               | 456,720          | 458,291          |
| 275,018               | 296,827               | 310,828          | 317,854          |
| 137,947               | 168,369               | 198,438          | 237,268          |
| 2,808,307             | 2,850,294             | 2,638,570        | 2,695,371        |
| 191,596               | 302,488               | 51,264           | 217,357          |
| 25,990                | 24,445                | 24,922           | 24,912           |
| 78,565                | 65,361                | 101,828          | 69,185           |
| 6,278,194             | 6,619,341             | 6,386,352        | 6,870,596        |
|                       |                       |                  |                  |
| 208,784               | 172,779               | 157,283          | 182,338          |
| 284,457               | 284,208               | 302,809          | 324,717          |
| 2,111,265             | 2,346,165             | 2,329,848        | 2,546,075        |
| 1,810,276             | 1,768,616             | 1,687,084        | 1,685,252        |
| 416,776               | 418,866               | 392,242          | 432,534          |
| 214,291               | 213,912               | 215,354          | 215,120          |
| 677,097               | 574,305               | 501,522          | 497,087          |
| 459,716               | 448,249               | 453,799          | 471,269          |
|                       |                       |                  |                  |
| 33,222                | 45,871                | 47,954           | 49,679           |
| 46,648                | 51,689                | 50,804           | 49,100           |
| 6,262,532             | 6,324,660             | 6,138,699        | 6,453,171        |
|                       |                       |                  |                  |
| 15,662                | 294,681               | 247,653          | 417,425          |
|                       |                       |                  |                  |
| 163,562               | 125,862               | 146,219          | 61,347           |
|                       |                       |                  | 10,945           |
|                       |                       | 7,219            | 1,304            |
|                       |                       | (88,044)         | (11,441)         |
| 23,745                | 2,603                 |                  | 178              |
| 13,436                | 14,462                | 16,871           | 15,414           |
| 630,563               | 678,794               | 815,041          | 858,585          |
| (836,960)             | (864,324)             | (995,813)        | (1,056,427)      |
| (5,654)               | (42,603)              | (98,507)         | (120,095)        |
|                       |                       |                  |                  |
| <b>\$10,008</b>       | <b>\$252,078</b>      | <b>\$149,146</b> | <b>\$297,330</b> |

1.3 1.7 1.7 1.6

<sup>5</sup>In fiscal years 2011 and 2012 decreases in expenditures were necessary to balance the State's budget.

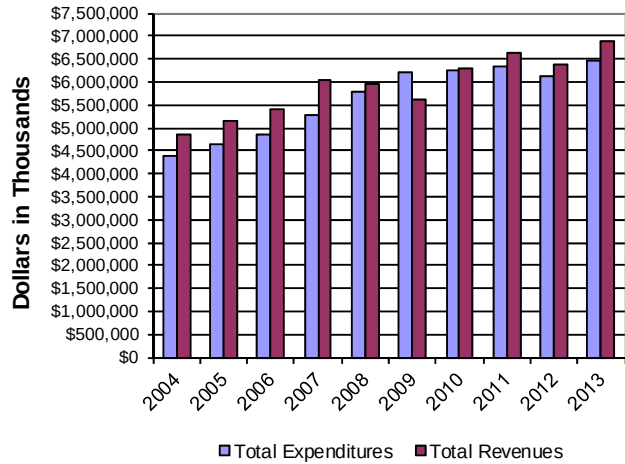
<sup>6</sup>In fiscal years 2007-2013 health and human services expenditures increased and decreased due to changes in medical assistance payments related to Medicaid and rehabilitation services.

<sup>7</sup>In fiscal years 2007-2009 education expenditures increased because of an increased public school distribution for facilities improvements, salaries, and operating expenses.

<sup>8</sup>In fiscal years 2008-2010 capital outlay expenditures increased mainly due to transportation infrastructure and state building expenses.

<sup>9</sup>In fiscal years 2007, 2012, and 2013 the Idaho State Building Authority defeased bond debt to achieve better interest rates.

**Revenues and Expenditures - Governmental Funds  
Fiscal Years 2004-2013**



## Schedule 5 - Revenue Base

Fiscal/Calendar Years 2004-2013 (dollars in thousands)

## Taxable Sales by Industry

|                                           | Fiscal Year         |                     |                     |                     |                     |                     |
|-------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                           | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                |
| Commercial Farms                          | \$7,265             | \$8,687             | \$10,093            | \$11,416            | \$11,680            | \$10,055            |
| Agricultural/Forestry, Fishing, and Other | 75,997              | 85,183              | 99,736              | 124,479             | 127,115             | 111,833             |
| Mining                                    | 47,589              | 53,612              | 67,655              | 72,407              | 74,440              | 54,148              |
| Construction                              | 315,977             | 410,645             | 484,901             | 572,823             | 583,884             | 486,661             |
| Manufacturing                             | 1,012,159           | 1,026,589           | 998,714             | 1,403,805           | 1,050,425           | 813,738             |
| Transportation and Public Utilities       | 226,260             | 253,306             | 250,375             | 347,677             | 390,536             | 361,449             |
| Wholesale Trade                           | 1,063,094           | 1,246,743           | 1,481,922           | 1,766,289           | 1,870,820           | 1,679,196           |
| Retail Trade                              | 11,968,267          | 12,769,055          | 14,083,361          | 15,364,551          | 14,963,180          | 13,418,803          |
| Finance, Insurance, and Real Estate       | 116,476             | 117,091             | 153,983             | 149,466             | 155,362             | 143,607             |
| Services                                  | 1,855,726           | 1,884,819           | 2,105,191           | 2,330,698           | 2,409,065           | 2,161,247           |
| State and Local Government                | 620,550             | 671,249             | 690,509             | 782,729             | 817,606             | 703,459             |
| <b>Total Taxable Sales</b>                | <b>\$17,309,360</b> | <b>\$18,526,979</b> | <b>\$20,426,440</b> | <b>\$22,926,340</b> | <b>\$22,454,113</b> | <b>\$19,944,196</b> |
| <b>Direct Sales Tax Rate</b>              | 6.0%                | 6.0%                | 5.0%                | 6.0%                | 6.0%                | 6.0%                |

Personal Income by Industry<sup>1</sup>

|                                              | Calendar Year       |                     |                     |                     |                     |                     |
|----------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                              | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                |
| Farm Earnings                                | \$1,374,654         | \$1,202,030         | \$1,085,570         | \$1,591,125         | \$1,823,055         | \$1,366,363         |
| Agricultural/Forestry, Fishing, and Other    | 344,791             | 345,296             | 379,364             | 373,973             | 361,417             | 352,993             |
| Mining                                       | 141,202             | 182,012             | 233,072             | 239,232             | 319,744             | 185,683             |
| Construction/Utilities                       | 2,677,879           | 3,088,852           | 3,673,526           | 3,773,992           | 3,235,926           | 2,638,291           |
| Manufacturing                                | 3,394,298           | 3,515,127           | 3,889,119           | 4,004,136           | 3,867,773           | 3,365,946           |
| Transportation                               | 925,322             | 985,092             | 1,061,798           | 1,106,691           | 1,080,915           | 1,041,550           |
| Wholesale Trade                              | 1,280,976           | 1,415,956           | 1,544,873           | 1,706,671           | 1,690,140           | 1,602,449           |
| Retail Trade                                 | 2,463,462           | 2,730,176           | 3,066,526           | 3,119,639           | 2,811,959           | 2,715,982           |
| Finance, Insurance, and Real Estate          | 1,712,669           | 1,853,182           | 2,093,951           | 1,896,450           | 1,607,335           | 2,265,254           |
| Services                                     | 9,548,176           | 10,057,942          | 11,163,223          | 11,645,674          | 11,993,099          | 11,889,608          |
| Federal, Civilian                            | 930,265             | 957,187             | 985,868             | 1,011,167           | 1,031,864           | 1,074,102           |
| Military                                     | 430,008             | 453,741             | 452,533             | 473,785             | 504,056             | 535,822             |
| State and Local Government                   | 4,167,611           | 4,322,951           | 4,554,748           | 4,724,819           | 4,943,661           | 5,034,804           |
| Other <sup>2</sup>                           | 10,916,985          | 11,698,664          | 12,840,428          | 14,058,576          | 15,049,023          | 15,096,473          |
| <b>Total Personal Income</b>                 | <b>\$40,308,298</b> | <b>\$42,808,208</b> | <b>\$47,024,599</b> | <b>\$49,725,930</b> | <b>\$50,319,967</b> | <b>\$49,165,320</b> |
| <b>Total Direct Personal Income Tax Rate</b> | 7.6%                | 7.7%                | 7.7%                | 7.7%                | 7.6%                | 7.6%                |

Corporate Income by Category<sup>3</sup>

|                                         | Calendar Year    |                  |                  |                  |                    |                      |
|-----------------------------------------|------------------|------------------|------------------|------------------|--------------------|----------------------|
|                                         | 2004             | 2005             | 2006             | 2007             | 2008               | 2009                 |
| Corporations                            | \$62,838         | \$54,837         | \$6,080          | \$146,513        | (\$759,563)        | (\$1,025,574)        |
| Sub-S Corporations                      | 74,857           | 126,174          | 87,233           | 72,520           | (35,677)           | 41,005               |
| Partnerships                            | (16,627)         | (2,182)          | (1,257)          | (82,978)         | (125,039)          | (126,283)            |
| Fiduciary                               | 23,806           | 57,112           | 42,999           | 70,944           | 22,495             | (5,038)              |
| <b>Total Corporate Income</b>           | <b>\$144,874</b> | <b>\$235,941</b> | <b>\$135,055</b> | <b>\$206,999</b> | <b>(\$897,784)</b> | <b>(\$1,115,890)</b> |
| <b>Direct Corporate Income Tax Rate</b> | 7.6%             | 7.6%             | 7.6%             | 7.6%             | 7.6%               | 7.6%                 |

## Vehicle Fuel Sales by Category (in thousands of gallons)

|                                                        | Fiscal Year    |                |                |                |                |                |
|--------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                        | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           |
| Diesel                                                 | 239,784        | 241,079        | 258,715        | 284,009        | 282,616        | 237,206        |
| Gasoline                                               | 629,499        | 625,453        | 636,565        | 647,363        | 636,125        | 584,872        |
| Propane                                                | 138            | 98             | 77             | 62             | 53             | 107            |
| Natural Gas <sup>4</sup>                               | 12             | 16             | 13             |                |                |                |
| Aviation                                               | 2,926          | 2,512          | 2,512          | 2,598          | 2,461          | 1,864          |
| Jet                                                    | 26,921         | 28,250         | 31,038         | 33,591         | 36,217         | 29,697         |
| <b>Total Fuel Sales</b>                                | <b>899,280</b> | <b>897,408</b> | <b>928,920</b> | <b>967,623</b> | <b>957,472</b> | <b>853,746</b> |
| <b>Total Direct Fuel Tax Rate (per gallon of fuel)</b> | \$0.243        | \$0.243        | \$0.243        | \$0.242        | \$0.242        | \$0.243        |

Sources: Taxable sales, corporate income, and vehicle fuel sales--Idaho State Tax Commission; Personal income--U.S. Bureau of Economic Analysis and the Idaho State Tax Commission.

<sup>1</sup>Personal income data for calendar years 2004-2013 are estimates. The U.S. Bureau of Economic Analysis revised personal income amounts for all calendar years shown to reflect revisions to the national income and product accounts and to incorporate newly available state-level source data.

<sup>2</sup>Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

<sup>3</sup>Corporate income data is currently not available for calendar years 2012 and 2013.

<sup>4</sup>The natural gas distributors reported no vehicle fuel sales for fiscal years 2007-2011.

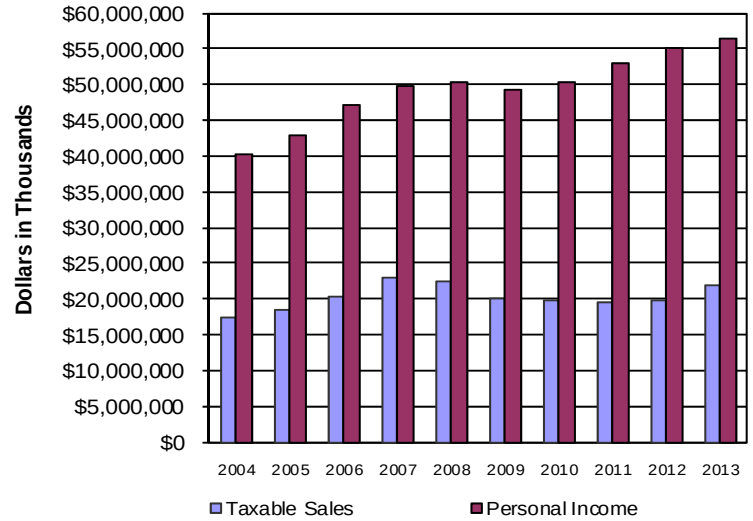
| 2010                | 2011                | 2012                | 2013                |
|---------------------|---------------------|---------------------|---------------------|
| \$9,005             | \$10,847            | \$14,204            | \$11,733            |
| 101,936             | 94,138              | 100,206             | 106,731             |
| 43,224              | 43,947              | 47,129              | 52,671              |
| 427,769             | 409,010             | 489,893             | 434,218             |
| 755,948             | 996,988             | 819,403             | 807,950             |
| 361,995             | 700,557             | 546,466             | 705,692             |
| 1,632,263           | 1,641,485           | 1,765,478           | 2,033,097           |
| 13,360,965          | 12,752,289          | 13,221,360          | 14,568,624          |
| 136,907             | 133,522             | 136,687             | 142,282             |
| 2,213,003           | 2,099,386           | 2,101,112           | 2,225,229           |
| 680,446             | 657,346             | 646,121             | 751,309             |
| <b>\$19,723,461</b> | <b>\$19,539,515</b> | <b>\$19,888,059</b> | <b>\$21,839,536</b> |
| 6.0%                | 6.0%                | 6.0%                | 6.0%                |

| 2010                | 2011                | 2012                | 2013                |
|---------------------|---------------------|---------------------|---------------------|
| \$1,587,029         | \$2,299,320         | \$2,394,297         | \$2,412,092         |
| 405,010             | 404,855             | 416,836             | 462,149             |
| 233,241             | 280,299             | 306,161             | 308,010             |
| 2,567,013           | 2,439,784           | 2,525,515           | 2,712,942           |
| 3,463,221           | 3,574,996           | 3,739,715           | 3,828,859           |
| 1,064,776           | 1,139,881           | 1,220,687           | 1,251,544           |
| 1,635,513           | 1,716,781           | 1,796,043           | 1,870,410           |
| 2,742,623           | 2,811,181           | 2,929,633           | 3,027,980           |
| 2,334,763           | 2,213,906           | 2,270,906           | 2,407,464           |
| 12,060,556          | 12,454,367          | 12,691,430          | 13,178,390          |
| 1,115,828           | 1,114,602           | 1,129,858           | 1,095,328           |
| 531,786             | 501,992             | 495,339             | 505,767             |
| 5,073,379           | 4,998,870           | 5,137,027           | 5,249,718           |
| 15,570,453          | 17,002,961          | 17,968,508          | 17,991,186          |
| <b>\$50,385,191</b> | <b>\$52,953,795</b> | <b>\$55,021,955</b> | <b>\$56,301,839</b> |
| 7.6%                | 7.6%                | NA                  | NA                  |

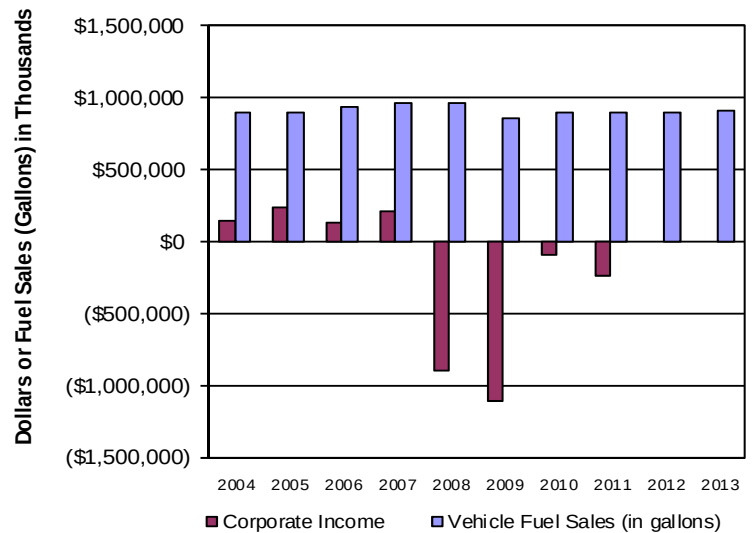
| 2010              | 2011               | 2012      | 2013      |
|-------------------|--------------------|-----------|-----------|
| (\$28,603)        | \$49,806           | NA        | NA        |
| 43,487            | 24,196             | NA        | NA        |
| (115,646)         | (287,303)          | NA        | NA        |
| 6,843             | (28,687)           | NA        | NA        |
| <b>(\$93,919)</b> | <b>(\$241,988)</b> | <b>NA</b> | <b>NA</b> |
| 7.6%              | 7.6%               | 7.4%      | 7.4%      |

| 2010           | 2011           | 2012           | 2013           |
|----------------|----------------|----------------|----------------|
| 236,002        | 239,708        | 242,616        | 250,299        |
| 632,004        | 633,337        | 629,252        | 631,697        |
| 32             | 79             | 23             | 61             |
|                |                | 33             | 97             |
| 1,814          | 1,797          | 1,811          | 1,720          |
| 23,347         | 23,225         | 25,903         | 28,995         |
| <b>893,199</b> | <b>898,146</b> | <b>899,638</b> | <b>912,869</b> |
| \$0.245        | \$0.245        | \$0.244        | \$0.244        |

**Taxable Sales and Personal Income  
Calendar/Fiscal Years 2004-2013**



**Corporate Income and Vehicle Fuel Sales  
Calendar/Fiscal Years 2004-2013**



## Schedule 6 - Revenue Rates

Fiscal/Calendar Years 2004-2013

Personal Income Tax Rates<sup>1</sup>

|                                           | Calendar Year   |                 |                 |                 |                 |                 |
|-------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                           | 2004            | 2005            | 2006            | 2007            | 2008            | 2009            |
| Tax Rate                                  | 1.6%            | 1.6%            | 1.6%            | 1.6%            | 1.6%            | 1.6%            |
| Income Levels (S, MFS) <sup>2</sup>       | \$0-1,129       | \$0-1,159       | \$0-1,197       | \$0-1,236       | \$0-1,272       | \$0-1,321       |
| Income Levels (MFJ, HoH, QW) <sup>2</sup> | \$0-2,258       | \$0-2,318       | \$0-2,395       | \$0-2,474       | \$0-2,544       | \$0-2,642       |
| Tax Rate                                  | 3.6%            | 3.6%            | 3.6%            | 3.6%            | 3.6%            | 3.6%            |
| Income Levels (S, MFS)                    | \$1,130-2,258   | \$1,160-2,318   | \$1,198-2,395   | \$1,237-2,473   | \$1,273-2,544   | \$1,322-2,642   |
| Income Levels (MFJ, HoH, QW)              | \$2,259-4,516   | \$2,319-4,636   | \$2,396-4,791   | \$2,475-4,948   | \$2,545-5,088   | \$2,643-5,284   |
| Tax Rate                                  | 4.1%            | 4.1%            | 4.1%            | 4.1%            | 4.1%            | 4.1%            |
| Income Levels (S, MFS)                    | \$2,259-3,387   | \$2,319-3,477   | \$2,396-3,593   | \$2,474-3,709   | \$2,545-3,816   | \$2,643-3,963   |
| Income Levels (MFJ, HoH, QW)              | \$4,517-6,774   | \$4,637-6,953   | \$4,792-7,187   | \$4,949-7,420   | \$5,089-7,632   | \$5,285-7,926   |
| Tax Rate                                  | 5.1%            | 5.1%            | 5.1%            | 5.1%            | 5.1%            | 5.1%            |
| Income Levels (S, MFS)                    | \$3,388-4,515   | \$3,478-4,636   | \$3,594-4,792   | \$3,710-4,946   | \$3,817-5,088   | \$3,964-5,284   |
| Income Levels (MFJ, HoH, QW)              | \$6,775-9,030   | \$6,954-9,271   | \$7,188-9,585   | \$7,421-9,894   | \$7,633-10,176  | \$7,927-10,568  |
| Tax Rate                                  | 6.1%            | 6.1%            | 6.1%            | 6.1%            | 6.1%            | 6.1%            |
| Income Levels (S, MFS)                    | \$4,516-5,644   | \$4,637-5,794   | \$4,793-5,990   | \$4,947-6,183   | \$5,089-6,360   | \$5,285-6,604   |
| Income Levels (MFJ, HoH, QW)              | \$9,031-11,288  | \$9,272-11,589  | \$9,586-11,981  | \$9,895-12,368  | \$10,177-12,720 | \$10,569-13,208 |
| Tax Rate                                  | 7.1%            | 7.1%            | 7.1%            | 7.1%            | 7.1%            | 7.1%            |
| Income Levels (S, MFS)                    | \$5,645-8,466   | \$5,795-8,692   | \$5,991-8,995   | \$6,184-9,275   | \$6,361-9,540   | \$6,605-9,907   |
| Income Levels (MFJ, HoH, QW)              | \$11,289-16,932 | \$11,590-17,383 | \$11,982-17,971 | \$12,369-18,552 | \$12,721-19,080 | \$13,209-19,814 |
| Tax Rate                                  | 7.4%            | 7.4%            | 7.4%            | 7.4%            | 7.4%            | 7.4%            |
| Income Levels (S, MFS)                    | \$8,467-22,577  | \$8,693-23,178  | \$8,996-23,962  | \$9,276-24,735  | \$9,541-25,441  | \$9,908-26,418  |
| Income Levels (MFJ, HoH, QW)              | \$16,933-45,154 | \$17,384-46,356 | \$17,972-47,925 | \$18,553-49,472 | \$19,081-50,882 | \$19,815-52,836 |
| Tax Rate <sup>3</sup>                     | 7.8%            | 7.8%            | 7.8%            | 7.8%            | 7.8%            | 7.8%            |
| Income Levels (S, MFS)                    | \$22,578 +      | \$23,179 +      | \$23,963 +      | \$24,736 +      | \$25,442 +      | \$26,419 +      |
| Income Levels (MFJ, HoH, QW)              | \$45,155 +      | \$46,357 +      | \$47,926 +      | \$49,473 +      | \$50,883 +      | \$52,837 +      |
| <b>Total Direct Rate<sup>4</sup></b>      | 7.6%            | 7.7%            | 7.7%            | 7.7%            | 7.6%            | 7.6%            |

## Vehicle Fuel Tax Rates per Gallon

|                                               | Fiscal Year |         |         |         |         |         |
|-----------------------------------------------|-------------|---------|---------|---------|---------|---------|
|                                               | 2004        | 2005    | 2006    | 2007    | 2008    | 2009    |
| Diesel                                        | \$0.250     | \$0.250 | \$0.250 | \$0.250 | \$0.250 | \$0.250 |
| Gasoline                                      | 0.250       | 0.250   | 0.250   | 0.250   | 0.250   | 0.250   |
| Propane                                       | 0.181       | 0.181   | 0.181   | 0.181   | 0.181   | 0.181   |
| Natural Gas                                   | 0.197       | 0.197   | 0.197   | 0.197   | 0.197   | 0.197   |
| Aviation                                      | 0.055       | 0.055   | 0.055   | 0.055   | 0.070   | 0.070   |
| Jet                                           | 0.045       | 0.045   | 0.045   | 0.045   | 0.060   | 0.060   |
| <b>Total Direct Rate (per gallon of fuel)</b> | \$0.243     | \$0.243 | \$0.243 | \$0.242 | \$0.242 | \$0.243 |

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and vehicle fuel tax rates by legislation, no vote of the populace is required per Idaho Constitution Art. VII Section 16, and Idaho Code Sections 63-3024 and 63-2402.

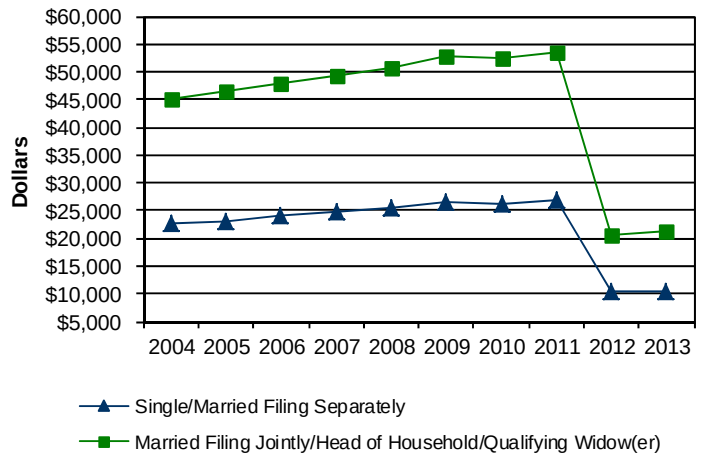
<sup>1</sup>Idaho's personal income tax brackets are adjusted each year for inflation.<sup>2</sup>Income categories are as follows: S = Single, MFS = Married Filing Separately, MFJ = Married Filing Jointly, HoH = Head of Household, QW = Qualifying Widow(er).<sup>3</sup>Fiscal year 2012 legislative action reduced the top personal income tax rate from 7.8% to 7.4%.<sup>4</sup>Personal Income data is currently not available for calendar years 2012 and 2013.

| 2010            | 2011            | 2012            | 2013            |
|-----------------|-----------------|-----------------|-----------------|
| 1.6%            | 1.6%            | 1.6%            | 1.6%            |
| \$0-1,316       | \$0-1,338       | \$0-1,379       | \$0-1,408       |
| \$0-2,632       | \$0-2,676       | \$0-2,759       | \$0-2,817       |
| 3.6%            | 3.6%            | 3.6%            | 3.6%            |
| \$1,317-2,632   | \$1,339-2,676   | \$1,380-2,759   | \$1,409-2,817   |
| \$2,633-5,264   | \$2,677-5,352   | \$2,760-5,519   | \$2,818-5,635   |
| 4.1%            | 4.1%            | 4.1%            | 4.1%            |
| \$2,633-3,948   | \$2,677-4,014   | \$2,760-4,139   | \$2,818-4,226   |
| \$5,265-7,896   | \$5,353-8,028   | \$5,520-8,279   | \$5,636-8,453   |
| 5.1%            | 5.1%            | 5.1%            | 5.1%            |
| \$3,949-5,264   | \$4,015-5,352   | \$4,140-5,519   | \$4,227-5,635   |
| \$7,897-10,528  | \$8,029-10,704  | \$8,280-11,039  | \$8,454-11,271  |
| 6.1%            | 6.1%            | 6.1%            | 6.1%            |
| \$5,265-6,580   | \$5,353-6,690   | \$5,520-6,899   | \$5,636-7,044   |
| \$10,529-13,160 | \$10,705-13,380 | \$11,040-13,799 | \$11,272-14,089 |
| 7.1%            | 7.1%            | 7.1%            | 7.1%            |
| \$6,581-9,870   | \$6,691-10,035  | \$6,900-10,349  | \$7,045-10,567  |
| \$13,161-19,740 | \$13,381-20,070 | \$13,800-20,699 | \$14,090-21,135 |
| 7.4%            | 7.4%            | 7.4%            | 7.4%            |
| \$9,871-26,320  | \$10,036-26,760 | \$10,350+       | \$10,568+       |
| \$19,741-52,640 | \$20,071-53,520 | \$20,700+       | \$21,136+       |
| 7.8%            | 7.8%            |                 |                 |
| \$26,321+       | \$26,761+       |                 |                 |
| \$52,641+       | \$53,521+       |                 |                 |

7.6%      7.6%      NA      NA

| 2010    | 2011    | 2012    | 2013    |
|---------|---------|---------|---------|
| \$0.250 | \$0.250 | \$0.250 | \$0.250 |
| 0.250   | 0.250   | 0.250   | 0.250   |
| 0.181   | 0.181   | 0.181   | 0.181   |
| 0.197   | 0.197   | 0.197   | 0.197   |
| 0.070   | 0.070   | 0.070   | 0.070   |
| 0.060   | 0.060   | 0.060   | 0.060   |
| \$0.245 | \$0.245 | \$0.244 | \$0.244 |

**Personal Taxable Income Level for Top Rate Payers  
Calendar Years 2004-2013<sup>4</sup>**



**Schedule 7 - Revenue Payers by Industry/Category**  
**Historical Comparison and Most Current Fiscal/Calendar Year**  
*(dollars in thousands)*

| <b>Sales Tax</b>                    | As of June 30, 2003 |                     |                  |                     | As of June 30, 2012 |                     |                    |                     |
|-------------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
|                                     | Number<br>of Filers | Percent<br>of Total | Tax<br>Liability | Percent<br>of Total | Number<br>of Filers | Percent<br>of Total | Tax<br>Liability   | Percent<br>of Total |
| Farm Earnings                       | 313                 | 0.5                 | \$383            | 0.1                 | 526                 | 0.8                 | \$663              | 0.1                 |
| Agricultural                        | 926                 | 1.6                 | 3,753            | 0.4                 | 1,064               | 1.7                 | 5,971              | 0.5                 |
| Mining                              | 117                 | 0.2                 | 2,195            | 0.3                 | 151                 | 0.2                 | 2,892              | 0.2                 |
| Construction                        | 3,394               | 5.8                 | 14,811           | 1.8                 | 3,975               | 6.4                 | 22,645             | 1.9                 |
| Manufacturing                       | 3,745               | 6.4                 | 54,552           | 6.5                 | 5,555               | 8.9                 | 44,603             | 3.7                 |
| Transportation & Utilities          | 1,166               | 2.0                 | 9,331            | 1.1                 | 1,233               | 2.0                 | 28,054             | 2.3                 |
| Wholesale trade                     | 1,976               | 3.4                 | 50,927           | 6.0                 | 3,894               | 6.2                 | 108,504            | 9.0                 |
| Retail trade                        | 26,962              | 46.3                | 582,866          | 69.1                | 23,457              | 37.6                | 816,283            | 67.7                |
| Finance, Insurance, and Real Estate | 622                 | 1.1                 | 6,122            | 0.7                 | 820                 | 1.3                 | 8,239              | 0.7                 |
| Services                            | 18,495              | 31.8                | 93,237           | 11.0                | 20,222              | 32.4                | 127,445            | 10.6                |
| Government                          | 529                 | 0.9                 | 25,664           | 3.0                 | 1,557               | 2.5                 | 39,332             | 3.3                 |
| <b>Total</b>                        | <b>58,245</b>       | <b>100.0</b>        | <b>\$843,841</b> | <b>100.0</b>        | <b>62,454</b>       | <b>100.0</b>        | <b>\$1,204,631</b> | <b>100.0</b>        |

| <b>Personal Income Tax</b> | As of December 31, 2002 |                     |                  |                     | As of December 31, 2011 |                     |                    |                     |
|----------------------------|-------------------------|---------------------|------------------|---------------------|-------------------------|---------------------|--------------------|---------------------|
|                            | Number<br>of Filers     | Percent<br>of Total | Tax<br>Liability | Percent<br>of Total | Number<br>of Filers     | Percent<br>of Total | Tax<br>Liability   | Percent<br>of Total |
| <b>Income Level</b>        |                         |                     |                  |                     |                         |                     |                    |                     |
| Under \$50,000             | 528,247                 | 89.3                | \$361,009        | 43.4                | 602,446                 | 85.2                | \$386,549          | 29.9                |
| \$50,000 - \$99,999        | 48,208                  | 8.1                 | 218,124          | 26.2                | 73,932                  | 10.5                | 351,123            | 27.2                |
| \$100,000 - \$249,999      | 11,929                  | 2.0                 | 118,617          | 14.2                | 24,495                  | 3.5                 | 255,209            | 19.8                |
| \$250,000 - \$999,999      | 2,830                   | 0.5                 | 82,699           | 9.9                 | 5,171                   | 0.7                 | 164,641            | 12.8                |
| \$1,000,000 and higher     | 344                     | 0.1                 | 52,744           | 6.3                 | 631                     | 0.1                 | 133,024            | 10.3                |
| <b>Total</b>               | <b>591,558</b>          | <b>100.0</b>        | <b>\$833,193</b> | <b>100.0</b>        | <b>706,675</b>          | <b>100.0</b>        | <b>\$1,290,546</b> | <b>100.0</b>        |

| <b>Corporate Income Tax</b> | As of Tax Year 2002 |                     |                  |                     | As of Tax Year 2011 |                     |                  |                     |
|-----------------------------|---------------------|---------------------|------------------|---------------------|---------------------|---------------------|------------------|---------------------|
|                             | Number<br>of Filers | Percent<br>of Total | Tax<br>Liability | Percent<br>of Total | Number<br>of Filers | Percent<br>of Total | Tax<br>Liability | Percent<br>of Total |
| Corporations                | 14,866              | 24.0                | \$72,172         | 88.5                | 13,224              | 16.1                | \$100,389        | 82.6                |
| Sub-S Corporations          | 20,972              | 33.9                | 4,891            | 6.0                 | 29,801              | 36.2                | 8,682            | 7.2                 |
| Partnerships                | 17,536              | 28.4                | 1,622            | 2.0                 | 29,527              | 35.9                | 3,643            | 3.0                 |
| Fiduciary                   | 8,449               | 13.7                | 2,865            | 3.5                 | 9,702               | 11.8                | 8,781            | 7.2                 |
| <b>Total</b>                | <b>61,823</b>       | <b>100.0</b>        | <b>\$81,550</b>  | <b>100.0</b>        | <b>82,254</b>       | <b>100.0</b>        | <b>\$121,495</b> | <b>100.0</b>        |

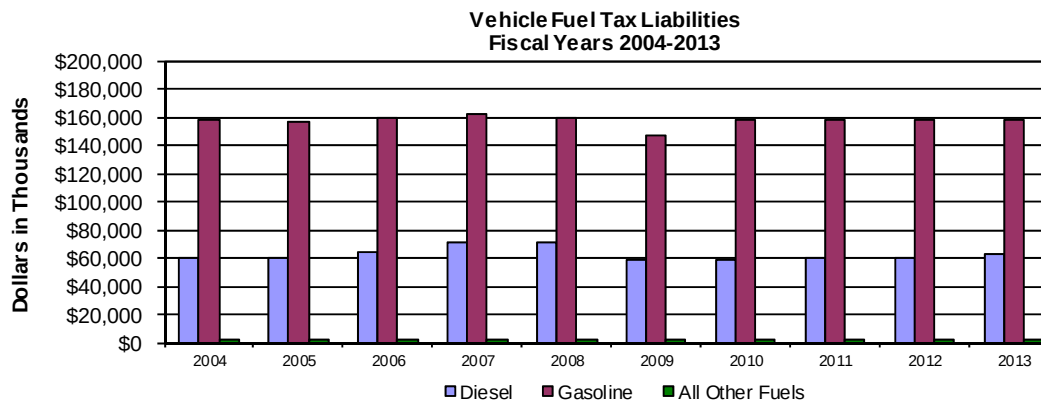
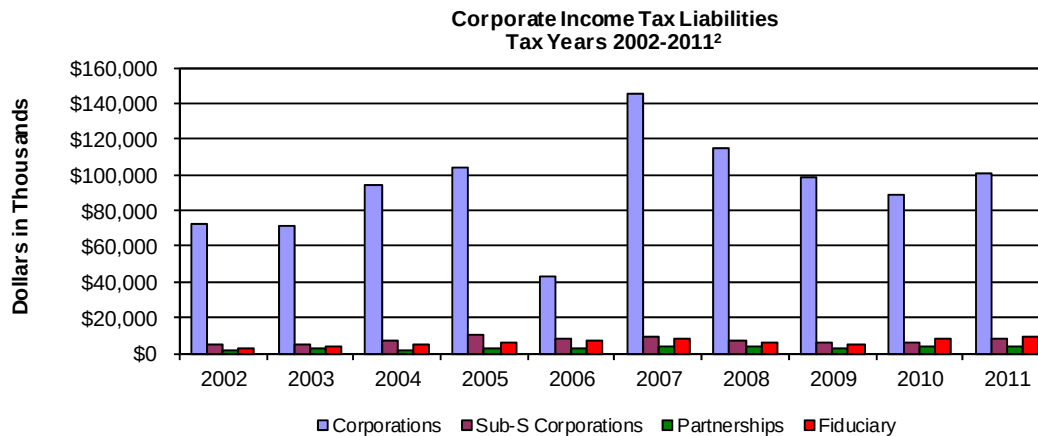
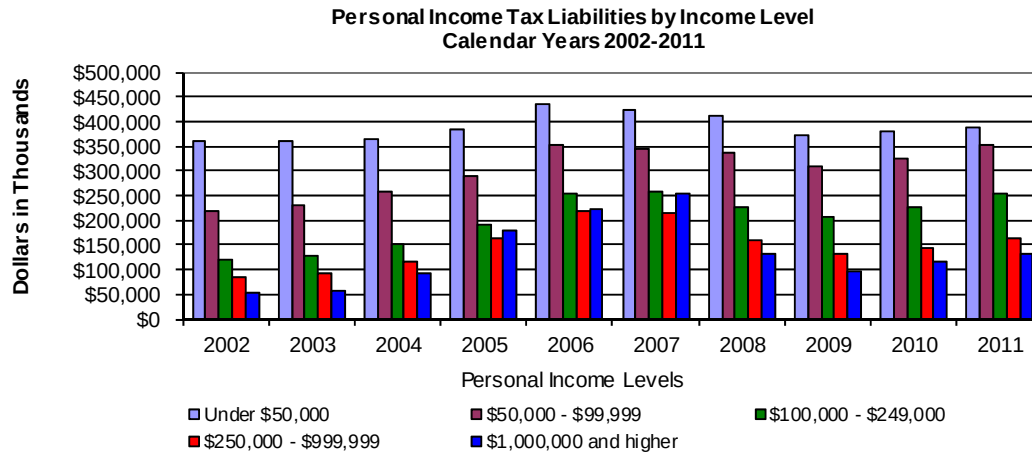
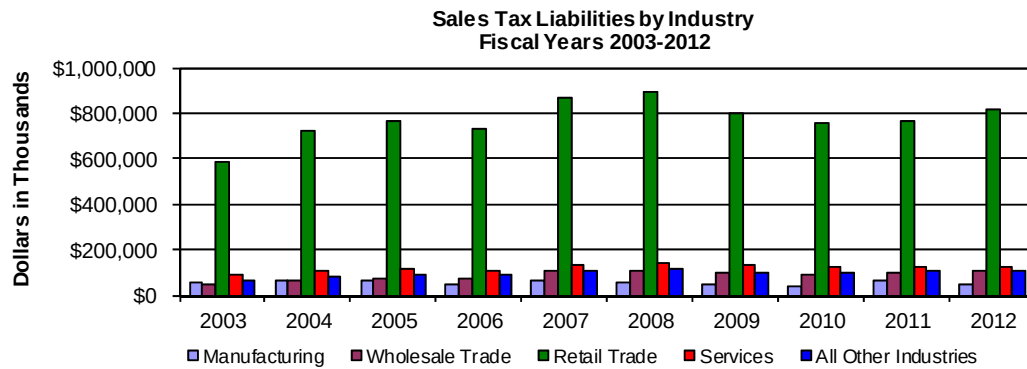
| <b>Vehicle Fuel Tax</b> | As of June 30, 2004              |                     |                  |                     | As of June 30, 2013              |                     |                  |                     |
|-------------------------|----------------------------------|---------------------|------------------|---------------------|----------------------------------|---------------------|------------------|---------------------|
|                         | Number<br>of Filers <sup>1</sup> | Percent<br>of Total | Tax<br>Liability | Percent<br>of Total | Number<br>of Filers <sup>1</sup> | Percent<br>of Total | Tax<br>Liability | Percent<br>of Total |
| Diesel                  | 120                              | 40.0                | \$59,917         | 27.4                | 103                              | 40.3                | \$62,575         | 28.1                |
| Gasoline                | 118                              | 39.4                | 157,353          | 71.9                | 106                              | 41.4                | 157,924          | 71.0                |
| Propane                 | 28                               | 9.3                 | 50               | 0.0                 | 18                               | 7.0                 | 26               | 0.0                 |
| Natural Gas             | 2                                | 0.7                 | 8                | 0.0                 | 3                                | 1.2                 | 35               | 0.0                 |
| Aviation                | 13                               | 4.3                 | 161              | 0.1                 | 7                                | 2.7                 | 120              | 0.1                 |
| Jet                     | 19                               | 6.3                 | 1,211            | 0.6                 | 19                               | 7.4                 | 1,740            | 0.8                 |
| <b>Total</b>            | <b>300</b>                       | <b>100.0</b>        | <b>\$218,700</b> | <b>100.0</b>        | <b>256</b>                       | <b>100.0</b>        | <b>\$222,420</b> | <b>100.0</b>        |

Source: Idaho State Tax Commission.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2011.

<sup>1</sup>The total number of filers for vehicle fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

<sup>2</sup>The corporate tax liability amounts for tax years 2006 through 2010 are revised based on data provided by Idaho State Tax Commission.



## Schedule 8 - Outstanding Debt Ratios

Fiscal Years 2004-2013

(dollars in thousands, except per capita amount)

|                                                            | 2004             | 2005             | 2006             | 2007             | 2008             | 2009               | 2010               | 2011               | 2012               | 2013               |
|------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                                            |                  |                  | (as restated)    |                  | (as restated)    | (as restated)      | (as restated)      |                    | (as restated)      |                    |
| <b>Governmental Activities</b>                             |                  |                  |                  |                  |                  |                    |                    |                    |                    |                    |
| Revenue Bonds <sup>1</sup>                                 | \$211,031        | \$203,067        | \$205,203        | \$324,657        | \$306,159        | \$281,322          | \$257,088          | \$233,246          | \$207,106          | \$197,624          |
| Capital Leases <sup>2</sup>                                | 5,915            | 9,428            | 13,929           | 12,209           | 11,997           | 11,475             | 33,229             | 32,761             | 28,967             | 27,394             |
| Notes Payable                                              | 3,167            | 1,189            | 3,776            | 3,679            | 3,543            | 5,118              | 4,914              | 4,709              | 4,476              | 4,228              |
| Notes Payable to Component Unit <sup>3</sup>               |                  |                  |                  | 25,947           | 94,643           | 215,045            | 370,430            | 475,355            | 520,337            | 550,664            |
| <b>Total Governmental Activities</b>                       | <b>\$220,113</b> | <b>\$213,684</b> | <b>\$222,908</b> | <b>\$366,492</b> | <b>\$416,342</b> | <b>\$512,960</b>   | <b>\$665,661</b>   | <b>\$746,071</b>   | <b>\$760,886</b>   | <b>\$779,910</b>   |
| <b>Business-Type Activities</b>                            |                  |                  |                  |                  |                  |                    |                    |                    |                    |                    |
| Revenue Bonds <sup>4</sup>                                 | \$318,138        | \$329,835        | \$319,308        | \$402,181        | \$443,016        | \$449,410          | \$473,667          | \$457,631          | \$457,113          | \$455,097          |
| Capital Leases                                             | 5,928            | 1,450            | 1,709            | 1,369            | 1,139            | 627                | 468                | 271                | 539                | 211                |
| Capital Leases to Component Unit <sup>5</sup>              |                  | 3,657            | 3,422            | 3,172            | 2,917            | 2,652              | 2,377              | 2,082              | 1,777              | 1,452              |
| Notes Payable <sup>6</sup>                                 | 11,841           | 17,104           | 16,284           | 16,802           | 20,155           | 50,195             | 216,183            | 214,144            | 17,175             | 12,304             |
| Notes Payable to Component Unit <sup>6</sup>               |                  |                  |                  |                  |                  |                    |                    |                    | 187,570            | 144,145            |
| <b>Total Business-Type Activities</b>                      | <b>\$335,907</b> | <b>\$352,046</b> | <b>\$340,723</b> | <b>\$423,524</b> | <b>\$467,227</b> | <b>\$502,884</b>   | <b>\$692,695</b>   | <b>\$674,128</b>   | <b>\$664,174</b>   | <b>\$613,209</b>   |
| <b>Total Primary Government</b>                            | <b>\$556,020</b> | <b>\$565,730</b> | <b>\$563,631</b> | <b>\$790,016</b> | <b>\$883,569</b> | <b>\$1,015,844</b> | <b>\$1,358,356</b> | <b>\$1,420,199</b> | <b>\$1,425,060</b> | <b>\$1,393,119</b> |
| <b>Debt as a Percentage of Personal Income<sup>7</sup></b> | 1.4%             | 1.3%             | 1.2%             | 1.6%             | 1.8%             | 2.1%               | 2.7%               | 2.7%               | 2.6%               | 2.5%               |
| <b>Amount of Debt Per Capita<sup>7</sup></b>               | \$399.4          | \$396.5          | \$384.4          | \$525.9          | \$577.2          | \$655.2            | \$863.9            | \$897.0            | \$893.1            | \$863.3            |

Note: The Idaho Constitution Article VIII Section 1 amended in 1998 specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in Note 12 to the financial statements.

<sup>1</sup>In fiscal years 2004, 2006, and 2007 the Idaho State Building Authority issued revenue bonds for state building projects.

<sup>2</sup>In fiscal year 2010 the increase in capital leases is mainly attributable to new leases for land and buildings at the Department of Correction and the Department of Fish and Game.

<sup>3</sup>From fiscal years 2007-2013 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association for road and infrastructure improvements.

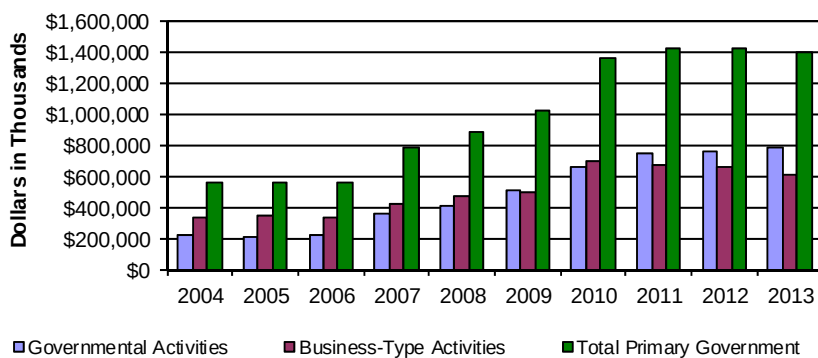
<sup>4</sup>For fiscal years 2004-2005 and 2007-2010 the colleges and universities issued revenue bonds for various projects.

<sup>5</sup>Prior to fiscal year 2005 capital leases to component units were not reported separately.

<sup>6</sup>In fiscal years 2009 and 2010 the increases in notes payable are mainly attributable to unemployment compensation loan funds received from the federal government. In fiscal year 2012 the Idaho Housing and Finance Association loaned funds to pay off the balance of the unemployment compensation loan owed to the federal government. This resulted in a decrease in Business-Type Activities notes payable and an increase in notes payable to component unit.

<sup>7</sup>These ratios are calculated using personal income and population for the current calendar year. See Schedule 11 for personal income and population data.

Outstanding Debt - Primary Government  
Fiscal Years 2004-2013



## Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2004-2013

(dollars in thousands)

|                                             | 2004             | 2005             | 2006             | 2007             | 2008             | 2009             | 2010             | 2011             | 2012             | 2013             |
|---------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                             | (as restated)    | (as restated)    | (as restated)    | (as restated)    | (as restated)    | (as restated)    |                  | (as restated)    |                  |                  |
| <b>Governmental Activities</b>              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Compensated Absences                        | \$52,806         | \$54,664         | \$56,245         | \$56,629         | \$56,599         | \$54,893         | \$51,996         | \$61,095         | \$62,775         | \$56,470         |
| Policy Claim Liabilities                    | 35,174           | 37,263           | 36,002           | 17,867           | 20,164           | 19,753           | 16,956           | 13,869           | 15,450           | 17,963           |
| Claims and Judgments <sup>1, 2</sup>        | 44,129           | 36,990           | 34,486           | 33,825           | 141,777          | 113,115          | 79,970           | 180,773          | 178,173          | 96,324           |
| Net Pension Obligation <sup>3</sup>         | 375              | 621              | 1,071            | 1,714            | 2,375            | 2,711            | 11,140           | 12,508           | 13,596           | 13,989           |
| Net OPEB Obligation <sup>4</sup>            |                  |                  |                  |                  | 20,018           | 20,373           | 22,169           | 23,851           | 24,720           | 24,607           |
| <b>Total Governmental Activities</b>        | <b>\$132,484</b> | <b>\$129,538</b> | <b>\$127,804</b> | <b>\$110,035</b> | <b>\$240,933</b> | <b>\$210,845</b> | <b>\$182,231</b> | <b>\$292,096</b> | <b>\$294,714</b> | <b>\$209,353</b> |
| <b>Business-Type Activities</b>             |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Compensated Absences                        | \$19,507         | \$16,814         | \$16,986         | \$18,381         | \$20,067         | \$20,814         | \$20,882         | \$21,041         | \$22,648         | \$22,239         |
| Claims and Judgments <sup>2</sup>           |                  |                  |                  |                  | 445              | 528              | 1                |                  |                  |                  |
| Net OPEB Obligation <sup>4</sup>            |                  |                  |                  |                  | 7,858            | 9,233            | 11,267           | 13,707           | 15,513           | 17,143           |
| Voluntary Termination Benefits <sup>5</sup> |                  |                  |                  |                  |                  |                  | 894              |                  |                  |                  |
| Other Long-Term Liabilities                 |                  |                  |                  |                  |                  |                  | 124              | 416              | 633              | 1,004            |
| <b>Total Business-Type Activities</b>       | <b>\$19,507</b>  | <b>\$16,814</b>  | <b>\$16,986</b>  | <b>\$18,381</b>  | <b>\$28,370</b>  | <b>\$30,575</b>  | <b>\$33,168</b>  | <b>\$35,164</b>  | <b>\$38,794</b>  | <b>\$40,386</b>  |
| <b>Total Primary Government</b>             | <b>\$151,991</b> | <b>\$146,352</b> | <b>\$144,790</b> | <b>\$128,416</b> | <b>\$269,303</b> | <b>\$241,420</b> | <b>\$215,399</b> | <b>\$327,260</b> | <b>\$333,508</b> | <b>\$249,739</b> |

Note: Details regarding the liabilities listed above can be found in Note 12 to the financial statements.

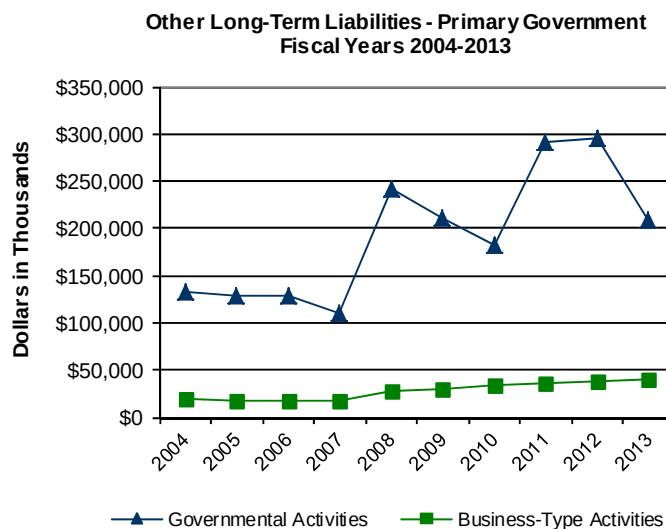
<sup>1</sup>In fiscal year (FY) 2008 the Department of Health and Welfare changed its method of reporting Medicaid claims to include an estimate for incurred but not reported claims from providers. The changes between FY2008 and FY2011 are due to fluctuations in payment cycles caused by budget shortfalls and migrating to a new payment system.

<sup>2</sup>Claims and Judgments include arbitrage liabilities for fiscal years 2007-2010.

<sup>3</sup>In fiscal year 2010 the increase in the net pension obligation is mainly attributable to a restatement of the Idaho Judges' Retirement Fund due to a new actuarial valuation.

<sup>4</sup>Net OPEB obligation was not required to be reported prior to fiscal year 2008.

<sup>5</sup>In fiscal year 2010 the University of Idaho established a voluntary Exit Incentive Program for eligible employees to leave University employment with an economic incentive.



## Schedule 10 - Pledged Revenue Coverage

## Fiscal Years 2004-2013

(dollars in thousands)

|                                                                    | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      |
|--------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Governmental Activities</b>                                     |           |           |           |           |           |           |
| <b>Notes Payable - Idaho Transportation Department<sup>1</sup></b> |           |           |           |           |           |           |
| Revenue:                                                           |           |           |           |           |           |           |
| Federal Highway Grants <sup>2</sup>                                |           |           |           | \$282,848 | \$300,680 | \$234,667 |
| State Funds                                                        |           |           |           | 2,059     | 3,349     | 2,439     |
| Available Revenue                                                  |           |           |           | \$284,907 | \$304,029 | \$237,106 |
| Debt Service:                                                      |           |           |           |           |           |           |
| Principal                                                          |           |           |           | \$2,426   | \$20,240  | \$30,589  |
| Interest                                                           |           |           |           | 6,766     | 8,245     | 11,787    |
| Coverage                                                           |           |           |           | 31.0      | 10.7      | 5.6       |
| <b>Business-Type Activities</b>                                    |           |           |           |           |           |           |
| <b>Revenue Bonds - Colleges and Universities</b>                   |           |           |           |           |           |           |
| Revenue:                                                           |           |           |           |           |           |           |
| Student Fees Pledged                                               | \$120,060 | \$131,669 | \$138,670 | \$144,471 | \$179,630 | \$197,711 |
| Sale of Goods and Services Pledged                                 | 63,650    | 66,414    | 66,000    | 71,770    | 85,348    | 84,327    |
| Other Income Pledged <sup>3</sup>                                  |           |           | 7,178     | 9,867     | 31,174    | 25,337    |
| Less: Operating Expenses                                           | (43,052)  | (50,720)  | (51,842)  | (52,020)  | (58,259)  | (59,487)  |
| Net Available Revenue                                              | \$140,658 | \$147,363 | \$160,006 | \$174,088 | \$237,893 | \$247,888 |
| Debt Service:                                                      |           |           |           |           |           |           |
| Principal                                                          | \$14,850  | \$8,940   | \$10,725  | \$11,890  | \$15,610  | \$9,755   |
| Interest                                                           | 14,056    | 15,220    | 15,217    | 13,728    | 20,793    | 19,473    |
| Coverage                                                           | 4.9       | 6.1       | 6.2       | 6.8       | 6.5       | 8.5       |
| <b>Revenue Bonds - Idaho Water Resources Board<sup>4</sup></b>     |           |           |           |           |           |           |
| Revenue:                                                           |           |           |           |           |           |           |
| Sale of Goods and Services                                         | \$905     | \$926     | \$876     | \$908     | \$816     | \$886     |
| Less: Operating Expenses                                           | (233)     | (191)     | (101)     | (162)     | (117)     | (149)     |
| Net Available Revenue                                              | \$672     | \$735     | \$775     | \$746     | \$699     | \$737     |
| Debt Service:                                                      |           |           |           |           |           |           |
| Principal                                                          | \$60      | \$80      | \$100     | \$290     | \$305     | \$325     |
| Interest                                                           | 366       | 363       | 357       | 310       | 294       | 277       |
| Coverage                                                           | 1.6       | 1.7       | 1.7       | 1.2       | 1.2       | 1.2       |
| <b>Notes Payable - Colleges and Universities<sup>5</sup></b>       |           |           |           |           |           |           |
| Revenue:                                                           |           |           |           |           |           |           |
| Student Fees Pledged                                               |           | \$157     | \$147     | \$148     | \$148     | \$146     |
| Housing Fees Pledged                                               |           | NA        | NA        | NA        | NA        | 417       |
| Other Income Pledged                                               |           |           |           |           |           |           |
| Less: Operating Expenses                                           |           | NA        | NA        | NA        | NA        | (297)     |
| Net Available Revenue                                              |           | \$157     | \$147     | \$148     | \$148     | \$266     |
| Debt Service:                                                      |           |           |           |           |           |           |
| Principal                                                          |           | \$94      | \$98      | \$102     | \$106     | \$127     |
| Interest                                                           |           | 45        | 41        | 37        | 33        | 63        |
| Coverage                                                           |           | 1.1       | 1.1       | 1.1       | 1.1       | 1.4       |

Note: Details regarding the State's outstanding bonds can be found in Note 12 to the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

<sup>1</sup>For fiscal years 2007-2013 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance road and infrastructure improvements.

<sup>2</sup>Fiscal year (FY) 2009 federal highway grants received by the Idaho Transportation Department decreased mainly due to the delay in awarding construction contracts, the delay of related federal awards reimbursements, and decreased construction costs. FY 2010 grants increased because of the delayed reimbursement of FY 2009 federal construction awards. Fiscal years 2012 and 2013 grants decreased due to the near-term completion of the American Recovery and Reinvestment Act stimulus program.

<sup>3</sup>In fiscal year 2008 other pledged income increased mainly due to revenues pledged as collateral for all outstanding bond issuances by the University of Idaho.

<sup>4</sup>In fiscal year (FY) 2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, accounting for the increase in debt service for FY 2007.

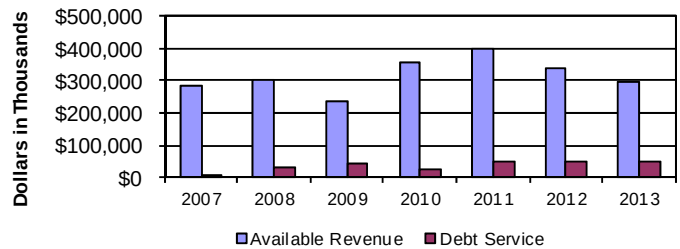
<sup>5</sup>In fiscal year (FY) 2004 Lewis-Clark State College issued notes payable to construct a student activity center; the first payment was due in FY 2005. In FY 2009 Lewis-Clark issued notes payable to purchase a residence hall; housing fees associated with the residence hall account for the increase in available revenue. In fiscal years 2012 and 2013 Lewis-Clark issued notes payable to refinance Student Fee Refunding Revenue Bonds.

| 2010             | 2011             | 2012             | 2013             |
|------------------|------------------|------------------|------------------|
|                  |                  |                  |                  |
| \$355,288        | \$399,049        | \$334,747        | \$292,619        |
| 3,255            | 3,509            | 3,829            | 4,033            |
| <b>\$358,543</b> | <b>\$402,558</b> | <b>\$338,576</b> | <b>\$296,652</b> |
|                  |                  |                  |                  |
| \$8,176          | \$20,936         | \$19,957         | \$21,975         |
| 19,074           | 25,862           | 26,836           | 28,188           |
| 13.2             | 8.6              | 7.2              | 5.9              |

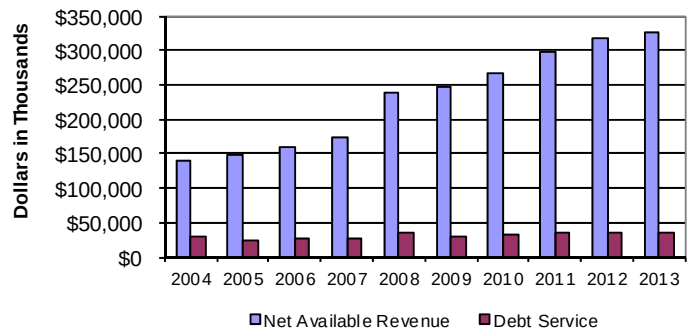
|                  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| \$212,768        | \$236,690        | \$257,850        | \$268,014        |
| 91,258           | 84,978           | 90,136           | 93,356           |
| 22,641           | 36,803           | 35,990           | 35,828           |
| (61,226)         | (61,342)         | (65,802)         | (69,901)         |
| <b>\$265,441</b> | <b>\$297,129</b> | <b>\$318,174</b> | <b>\$327,297</b> |
|                  |                  |                  |                  |
| \$13,190         | \$15,085         | \$14,090         | \$16,585         |
| 20,339           | 20,243           | 21,524           | 19,440           |
| 7.9              | 8.4              | 8.9              | 9.1              |

|              |              |                |                |
|--------------|--------------|----------------|----------------|
| \$983        | \$990        | \$1,059        | \$993          |
| (117)        | (124)        | (136)          | (161)          |
| <b>\$866</b> | <b>\$866</b> | <b>\$923</b>   | <b>\$832</b>   |
|              |              |                |                |
| \$340        | \$360        | \$380          | \$400          |
| 259          | 240          | 220            | 198            |
| 1.4          | 1.4          | 1.5            | 1.4            |
|              |              |                |                |
| \$142        | \$169        | \$1,001        | \$1,062        |
| 445          | 430          | 429            | 441            |
|              | 76           | 110            | 101            |
| (154)        | (107)        | (410)          | (402)          |
| <b>\$433</b> | <b>\$568</b> | <b>\$1,130</b> | <b>\$1,202</b> |
|              |              |                |                |
| \$114        | \$366        | \$334          | \$786          |
| 25           | 176          | 138            | 171            |
| 3.1          | 1.0          | 2.4            | 1.3            |

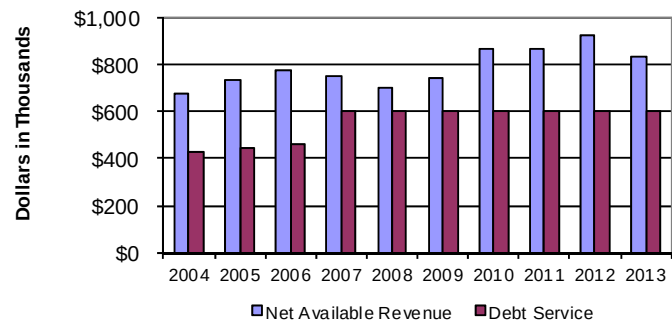
**Idaho Transportation Department, Notes Payable  
Revenue and Debt Service  
Fiscal Years 2007-2013**



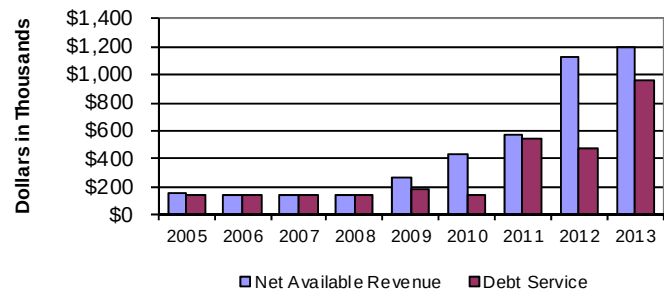
**Colleges and Universities, Revenue Bonds  
Revenue and Debt Service  
Fiscal Years 2004-2013**



**Idaho Water Resources Board, Revenue Bonds  
Revenue and Debt Service  
Fiscal Years 2004-2013**



**Colleges and Universities, Notes Payable  
Revenue and Debt Service  
Fiscal Years 2005-2013**



## Schedule 11 - Demographic and Economic Indicators

Calendar Years 2004-2013

|                                                              | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           |
|--------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Population</b>                                            |                |                |                |                |                |                |
| Idaho (in thousands)                                         | 1,392          | 1,427          | 1,466          | 1,502          | 1,531          | 1,551          |
| Change                                                       | 2.0%           | 2.5%           | 2.8%           | 2.4%           | 1.9%           | 1.3%           |
| National (in thousands)                                      | 293,758        | 296,460        | 299,282        | 302,227        | 304,948        | 307,580        |
| Change                                                       | 0.9%           | 0.9%           | 1.0%           | 1.0%           | 0.9%           | 0.9%           |
| <b>Total Personal Income<sup>1</sup></b>                     |                |                |                |                |                |                |
| Idaho (in billions)                                          | \$40           | \$43           | \$47           | \$50           | \$50           | \$49           |
| Change                                                       | 9.2%           | 6.2%           | 9.8%           | 5.7%           | 1.2%           | -2.3%          |
| National (in billions)                                       | \$10,049       | \$10,610       | \$11,390       | \$11,996       | \$12,431       | \$12,082       |
| Change                                                       | 7.2%           | 5.6%           | 7.4%           | 5.3%           | 3.6%           | -2.8%          |
| <b>Per Capita Personal Income<sup>2</sup></b>                |                |                |                |                |                |                |
| Idaho                                                        | \$28,951       | \$29,993       | \$32,060       | \$33,089       | \$32,854       | \$31,657       |
| Change                                                       | 9.6%           | 3.6%           | 6.9%           | 3.2%           | -0.7%          | -3.6%          |
| National                                                     | \$34,208       | \$35,789       | \$38,058       | \$39,692       | \$40,764       | \$39,281       |
| Change                                                       | 6.2%           | 4.6%           | 6.3%           | 4.3%           | 2.7%           | -3.6%          |
| <b>Median Age - Idaho<sup>3</sup></b>                        |                |                |                |                |                |                |
|                                                              | 33.7           | 33.9           | 33.9           | 33.9           | 34.0           | 34.1           |
| <b>Educational Attainment<sup>4</sup></b>                    |                |                |                |                |                |                |
| 8th Grade or Less                                            | 5.2%           | 4.5%           | 4.5%           | 3.9%           | 5.0%           | 4.5%           |
| Some High School, No Diploma                                 | 10.1%          | 8.7%           | 8.2%           | 7.8%           | 7.1%           | 7.1%           |
| High School Diploma                                          | 28.5%          | 29.6%          | 30.1%          | 29.9%          | 27.7%          | 28.8%          |
| Some College, No Degree                                      | 27.3%          | 25.8%          | 25.4%          | 25.4%          | 27.6%          | 27.3%          |
| Associate, Bachelor or Graduate Degree                       | 28.9%          | 31.2%          | 31.7%          | 33.1%          | 32.5%          | 32.2%          |
| <b>Resident Civilian Labor Force and Employment in Idaho</b> |                |                |                |                |                |                |
| Civilian Labor Force                                         | 698,123        | 722,190        | 740,105        | 749,993        | 757,756        | 751,565        |
| Employed                                                     | 666,080        | 695,428        | 718,077        | 727,728        | 721,876        | 695,476        |
| Unemployed                                                   | 32,043         | 26,762         | 22,028         | 22,265         | 35,880         | 56,090         |
| Unemployment Rate                                            | 4.6%           | 3.7%           | 3.0%           | 3.0%           | 4.7%           | 7.5%           |
| <b>Nonfarm Wage and Salary Workers Employed in Idaho</b>     |                |                |                |                |                |                |
| <b>Goods Producing Industries</b>                            |                |                |                |                |                |                |
| Mining                                                       | 1,931          | 2,160          | 2,373          | 2,665          | 2,759          | 2,196          |
| Logging and Wood Products                                    | 9,298          | 9,625          | 10,043         | 9,593          | 9,157          | 5,859          |
| Computer and Electronics                                     | 16,286         | 16,182         | 16,663         | 16,217         | 14,306         | 11,082         |
| Construction                                                 | 39,840         | 45,129         | 52,046         | 52,592         | 45,364         | 34,531         |
| Manufacturing-Durable Goods <sup>5</sup>                     | 14,964         | 16,303         | 17,904         | 18,399         | 17,530         | 15,230         |
| Manufacturing-Non-durable Goods                              | 23,131         | 22,927         | 23,234         | 23,861         | 24,581         | 23,674         |
| <b>Total Goods Producing Industries</b>                      | <b>105,450</b> | <b>112,326</b> | <b>122,263</b> | <b>123,327</b> | <b>113,697</b> | <b>92,572</b>  |
| <b>Non-Goods Producing Industries</b>                        |                |                |                |                |                |                |
| Trade                                                        | 99,132         | 103,678        | 107,469        | 111,656        | 110,473        | 102,658        |
| Service                                                      | 269,010        | 280,734        | 292,705        | 304,454        | 306,398        | 295,486        |
| State and Local Government                                   | 101,144        | 101,859        | 103,519        | 103,962        | 106,053        | 106,036        |
| Federal Government                                           | 13,315         | 13,083         | 12,879         | 12,821         | 13,210         | 13,337         |
| <b>Total Non-Goods Producing Industries</b>                  | <b>482,601</b> | <b>499,354</b> | <b>516,572</b> | <b>532,893</b> | <b>536,134</b> | <b>517,517</b> |
| <b>Total Nonfarm Wage and Salary Employment</b>              | <b>588,051</b> | <b>611,680</b> | <b>638,835</b> | <b>656,220</b> | <b>649,831</b> | <b>610,089</b> |

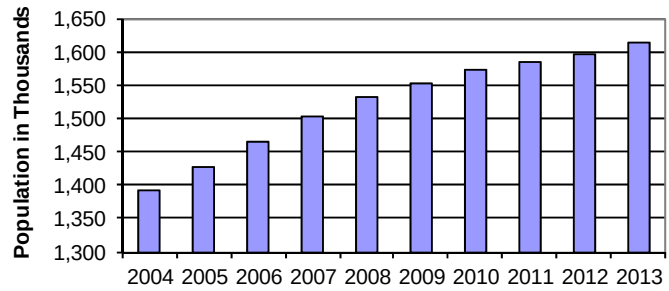
Sources: Idaho Division of Financial Management, Idaho Department of Labor, Idaho State Board of Education, U.S. Bureau of Economic Analysis, and U.S. Census Bureau.

Note: Amounts for calendar years 2011-2013 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.

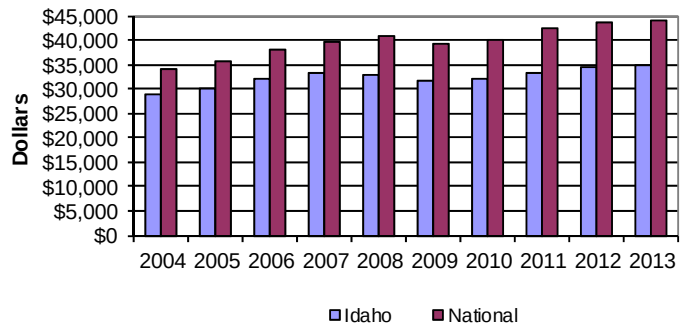
<sup>1</sup>Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.<sup>2</sup>Per capita personal income is calculated by dividing total personal income by population.<sup>3</sup>Median age data for Idaho is not currently available for calendar year 2013.<sup>4</sup>Educational attainment information is not currently available for calendar year 2013. Figures for 2005 through 2012 are revised.<sup>5</sup>Manufacturing-Durable Goods\* amounts are net of "Logging and Wood Products" and "Computer and Electronics" amounts, which are presented separately in this schedule.

| 2010           | 2011           | 2012           | 2013           |
|----------------|----------------|----------------|----------------|
| 1,572          | 1,583          | 1,596          | 1,614          |
| 1.4%           | 0.7%           | 0.8%           | 1.1%           |
| 310,064        | 312,324        | 314,581        | 317,008        |
| 0.8%           | 0.7%           | 0.7%           | 0.8%           |
| \$50           | \$53           | \$55           | \$56           |
| 2.5%           | 5.1%           | 3.9%           | 2.4%           |
| \$12,435       | \$13,191       | \$13,744       | \$13,993       |
| 2.9%           | 6.1%           | 4.2%           | 1.8%           |
| \$31,997       | \$33,418       | \$34,461       | \$34,882       |
| 1.1%           | 4.4%           | 3.1%           | 1.2%           |
| \$40,105       | \$42,235       | \$43,690       | \$44,141       |
| 2.1%           | 5.3%           | 3.4%           | 1.0%           |
| 34.6           | 34.9           | 35.2           | NA             |
| 4.2%           | 4.5%           | 4.1%           | NA             |
| 7.5%           | 6.9%           | 6.1%           | NA             |
| 28.6%          | 27.5%          | 27.7%          | NA             |
| 27.0%          | 26.9%          | 27.6%          | NA             |
| 32.7%          | 34.2%          | 34.5%          | NA             |
| 761,198        | 766,601        | 773,300        | 773,199        |
| 694,976        | 702,920        | 718,679        | 723,399        |
| 66,221         | 63,681         | 54,621         | 49,799         |
| 8.7%           | 8.3%           | 7.1%           | 6.4%           |
| 2,295          | 2,581          | 2,679          | 2,564          |
| 5,727          | 6,186          | 6,489          | 7,259          |
| 10,591         | 11,200         | 11,633         | 11,396         |
| 31,198         | 30,667         | 31,490         | 33,399         |
| 14,794         | 15,311         | 16,069         | 16,993         |
| 23,191         | 23,537         | 23,966         | 25,309         |
| <b>87,796</b>  | <b>89,482</b>  | <b>92,326</b>  | <b>96,920</b>  |
| 100,918        | 101,878        | 104,529        | 106,738        |
| 296,389        | 302,523        | 308,621        | 317,675        |
| 104,651        | 103,928        | 104,058        | 105,259        |
| 13,573         | 12,653         | 12,655         | 12,489         |
| <b>515,531</b> | <b>520,982</b> | <b>529,863</b> | <b>542,161</b> |
| <b>603,327</b> | <b>610,464</b> | <b>622,189</b> | <b>639,081</b> |

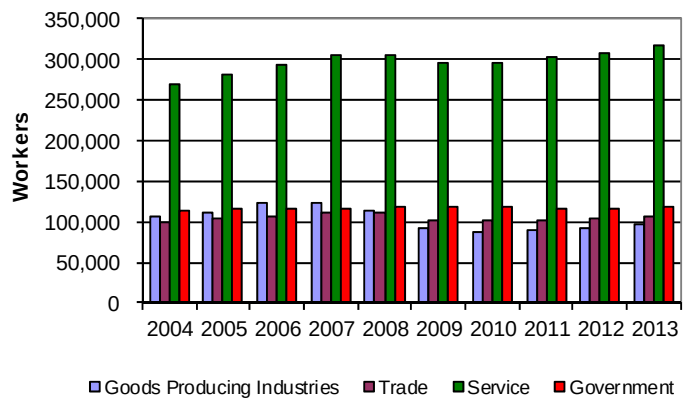
**Idaho Population**  
Calendar Years 2004-2013



**Per Capita Personal Income**  
Calendar Years 2004-2013



**Nonfarm Wage and Salary Workers**  
Employed in Idaho  
Calendar Years 2004-2013



### Schedule 12 - Principal Employers

#### Current Year and Nine Years Ago

| Major Idaho Employers                 | As of June 30, 2004 |      |                                   | As of June 30, 2013 |      |                                   |
|---------------------------------------|---------------------|------|-----------------------------------|---------------------|------|-----------------------------------|
|                                       | Number of Employees | Rank | Percent of Total State Employment | Number of Employees | Rank | Percent of Total State Employment |
| State of Idaho <sup>1</sup>           | 17,500-18,000       | 1    | 2.7                               | 18,500-19,000       | 1    | 2.6                               |
| Federal Government                    | 13,000-13,500       | 2    | 2.0                               | 12,000-12,500       | 2    | 1.7                               |
| St Luke's Health System               | 4,000-4,500         | 7    | 0.6                               | 10,500-11,000       | 3    | 1.5                               |
| Wal-Mart Associates, Inc.             | 6,000-6,500         | 4    | 0.9                               | 6,500-7,000         | 4    | 0.9                               |
| Micron Technology, Inc.               | 9,500-10,000        | 3    | 1.5                               | 5,500-6,000         | 5    | 0.8                               |
| Brigham Young University-Idaho        |                     |      |                                   | 4,500-5,000         | 6    | 0.7                               |
| Meridian Joint School District #2     | 3,500-4,000         | 10   | 0.6                               | 4,000-4,500         | 7    | 0.6                               |
| Boise Independent School District #1  | 3,500-4,000         | 8    | 0.6                               | 3,500-4,000         | 8    | 0.5                               |
| Battelle Energy Alliance <sup>2</sup> | 5,000-5,500         | 5    | 0.8                               | 3,500-4,000         | 9    | 0.5                               |
| St Alphonsus Regional Medical Center  |                     |      |                                   | 3,000-3,500         | 10   | 0.4                               |
| J.R. Simplot Co.                      | 3,000-3,500         | 11   | 0.5                               | 3,000-3,500         | 11   | 0.4                               |
| Albertsons / Supervalu                | 4,500-5,000         | 6    | 0.7                               | 3,000-3,500         | 12   | 0.4                               |
| Hewlett-Packard Co.                   | 3,500-4,000         | 9    | 0.6                               |                     |      |                                   |
| <b>Total</b>                          | <b>75,250</b>       |      | <b>11.4</b>                       | <b>80,500</b>       |      | <b>11.0</b>                       |

Source: Idaho Department of Labor, except state employee data, which comes from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given.

<sup>1</sup>Number of state employees includes only full-time personnel.

<sup>2</sup>Battelle Energy Alliance was formerly known as Bechtel BWXT Idaho.

### Schedule 13 - Education Enrollment

#### Public School Enrollment Grades K-12

##### Academic Years 2003/04-2012/13

|                         | 2003/04        | 2004/05        | 2005/06        | 2006/07        | 2007/08        | 2008/09        | 2009/10        | 2010/11        | 2011/12        | 2012/13        |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Elementary              | 135,245        | 137,606        | 141,921        | 146,253        | 150,094        | 151,902        | 154,368        | 153,298        | 154,691        | 156,742        |
| Secondary               | 116,875        | 118,478        | 120,061        | 121,347        | 122,025        | 123,252        | 124,236        | 125,237        | 126,149        | 127,576        |
| <b>Total All Grades</b> | <b>252,120</b> | <b>256,084</b> | <b>261,982</b> | <b>267,600</b> | <b>272,119</b> | <b>275,154</b> | <b>278,604</b> | <b>278,535</b> | <b>280,840</b> | <b>284,318</b> |

Source: Idaho Department of Education

#### Public Higher Education Enrollment

##### Student Headcount<sup>1</sup> (Calendar Years 2004-2013)

|                                        | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          |
|----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Boise State University                 | 18,418        | 18,650        | 18,880        | 19,542        | 19,670        | 18,936        | 19,993        | 19,664        | 22,638        | 21,981        |
| Idaho State University                 | 13,803        | 13,977        | 12,679        | 13,362        | 12,644        | 13,493        | 12,595        | 12,587        | 13,860        | 13,351        |
| University of Idaho                    | 12,824        | 12,476        | 11,739        | 11,636        | 11,791        | 11,957        | 12,302        | 12,312        | 12,493        | 11,884        |
| Lewis-Clark State College              | 3,145         | 3,222         | 3,211         | 3,269         | 3,334         | 3,521         | 3,822         | 3,761         | 3,830         | 3,585         |
| Eastern Idaho Technical College        | 788           | 753           | 758           | 762           | 768           | 870           | 862           | 829           | 709           | 725           |
| <b>Total Colleges and Universities</b> | <b>48,978</b> | <b>49,078</b> | <b>47,267</b> | <b>48,571</b> | <b>48,207</b> | <b>48,777</b> | <b>49,574</b> | <b>49,153</b> | <b>53,530</b> | <b>51,526</b> |

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

<sup>1</sup>Figures are based on fall enrollment numbers for each year.

## Schedule 14 - State Employees by Function

Fiscal Years 2004-2013

### Full-Time Employees

|                                               | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>General Government</b>                     |               |               |               |               |               |               |               |               |               |               |
| Tax Commission                                | 391           | 383           | 387           | 389           | 392           | 393           | 368           | 373           | 406           | 426           |
| Department of Administration                  | 153           | 157           | 153           | 164           | 138           | 142           | 139           | 141           | 137           | 136           |
| All Other                                     | 1,025         | 1,069         | 1,069         | 1,093         | 1,144         | 1,161         | 1,133         | 1,098         | 1,058         | 1,091         |
| <b>Public Safety and Correction</b>           |               |               |               |               |               |               |               |               |               |               |
| Department of Correction                      | 1,365         | 1,407         | 1,454         | 1,516         | 1,560         | 1,586         | 1,543         | 1,529         | 1,517         | 1,550         |
| Idaho State Police                            | 454           | 455           | 462           | 467           | 469           | 485           | 465           | 452           | 458           | 479           |
| Department of Juvenile Corrections            | 327           | 328           | 333           | 342           | 350           | 396           | 381           | 382           | 387           | 384           |
| All Other                                     | 321           | 333           | 333           | 339           | 336           | 349           | 327           | 362           | 354           | 373           |
| <b>Health and Human Services</b>              |               |               |               |               |               |               |               |               |               |               |
| Department of Health and Welfare              | 2,657         | 2,687         | 2,764         | 2,885         | 2,917         | 2,922         | 2,887         | 2,642         | 2,606         | 2,611         |
| <b>Education</b>                              |               |               |               |               |               |               |               |               |               |               |
| Colleges and Universities                     | 5,723         | 5,776         | 5,878         | 6,004         | 6,063         | 6,124         | 6,242         | 6,093         | 6,436         | 6,548         |
| All Other                                     | 517           | 538           | 540           | 480           | 456           | 468           | 469           | 473           | 361           | 371           |
| <b>Economic Development</b>                   |               |               |               |               |               |               |               |               |               |               |
| Idaho Transportation Department               | 1,786         | 1,774         | 1,745         | 1,717         | 1,726         | 1,758         | 1,772         | 1,742         | 1,714         | 1,683         |
| Department of Commerce and Labor <sup>1</sup> | 584           | 580           | 553           | 496           |               |               |               |               |               |               |
| Department of Labor <sup>1</sup>              |               |               |               |               | 440           | 436           | 506           | 532           | 514           | 547           |
| Department of Agriculture                     | 305           | 281           | 302           | 307           | 301           | 293           | 279           | 245           | 249           | 253           |
| All Other                                     | 712           | 819           | 840           | 840           | 933           | 932           | 909           | 981           | 966           | 992           |
| <b>Natural Resources</b>                      |               |               |               |               |               |               |               |               |               |               |
| Department of Environmental Quality           | 353           | 352           | 345           | 352           | 356           | 365           | 340           | 328           | 331           | 332           |
| Department of Fish and Game                   | 504           | 497           | 500           | 506           | 502           | 513           | 504           | 535           | 545           | 534           |
| Department of Lands                           | 221           | 231           | 225           | 234           | 244           | 242           | 235           | 227           | 231           | 239           |
| Department of Parks and Recreation            | 137           | 147           | 146           | 141           | 146           | 155           | 147           | 131           | 132           | 136           |
| All Other                                     | 160           | 182           | 182           | 181           | 193           | 195           | 182           | 174           | 171           | 167           |
| <b>State Total</b>                            | <b>17,695</b> | <b>17,996</b> | <b>18,211</b> | <b>18,453</b> | <b>18,666</b> | <b>18,915</b> | <b>18,828</b> | <b>18,440</b> | <b>18,573</b> | <b>18,852</b> |

### Part-Time and Temporary Employees<sup>2</sup>

|                              | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Government           | 346          | 356          | 363          | 361          | 405          | 334          | 385          | 362          | 388          | 342          |
| Public Safety and Correction | 187          | 186          | 207          | 195          | 223          | 192          | 159          | 174          | 202          | 178          |
| Health and Human Services    | 671          | 589          | 654          | 591          | 620          | 400          | 286          | 256          | 229          | 257          |
| Education                    | 2,766        | 2,779        | 2,638        | 2,740        | 3,347        | 2,880        | 2,532        | 2,509        | 2,587        | 2,655        |
| Economic Development         | 970          | 984          | 936          | 900          | 896          | 907          | 838          | 884          | 774          | 732          |
| Natural Resources            | 548          | 591          | 590          | 608          | 686          | 603          | 518          | 440          | 433          | 431          |
| <b>State Total</b>           | <b>5,488</b> | <b>5,485</b> | <b>5,388</b> | <b>5,395</b> | <b>6,177</b> | <b>5,316</b> | <b>4,718</b> | <b>4,625</b> | <b>4,613</b> | <b>4,595</b> |

Source: Office of the Idaho State Controller.

<sup>1</sup>In fiscal year (FY) 2004 legislative action combined the Department of Commerce with the Department of Labor. In FY2008 legislative action separated the Department of Commerce from the Department of Labor.

<sup>2</sup>Part-time and temporary employees are those working less than full-time, including board and commission members.

**Schedule 15 - Operating Indicators by Function**  
**Calendar/Fiscal Years 2004-2013**

|                                                                 | 2004    | 2005    | 2006    | 2007    | 2008    | 2009    |
|-----------------------------------------------------------------|---------|---------|---------|---------|---------|---------|
| <b>General Government</b>                                       |         |         |         |         |         |         |
| <b>Tax Commission</b>                                           |         |         |         |         |         |         |
| Number of Returns Filed ( <i>in thousands</i> )                 | 2,046   | 2,117   | 2,204   | 2,180   | 2,292   | 2,220   |
| Number of Returns Filed Electronically ( <i>in thousands</i> )  | 258     | 310     | 345     | 386     | 436     | 457     |
| <b>Department of Administration</b>                             |         |         |         |         |         |         |
| Construction Projects Administered                              | 143     | 186     | 424     | 538     | 529     | 443     |
| Employees Covered by Benefit Plans                              | 18,076  | 18,495  | 18,829  | 19,045  | 19,319  | 19,507  |
| <b>Public Safety and Correction</b>                             |         |         |         |         |         |         |
| <b>Department of Correction<sup>1</sup></b>                     |         |         |         |         |         |         |
| Incarcerated Offenders                                          | 6,312   | 6,526   | 6,976   | 7,357   | 7,338   | 7,283   |
| Supervised Offenders                                            | 9,955   | 10,926  | 11,825  | 12,581  | 13,361  | 13,756  |
| <b>Idaho State Police</b>                                       |         |         |         |         |         |         |
| Drug Related Arrests <sup>2</sup>                               | 967     | 779     | 598     | 989     | 850     | 895     |
| DUI Arrests <sup>2</sup>                                        | 1,708   | 1,461   | 817     | 1,744   | 1,654   | 1,977   |
| All Other Arrests <sup>2</sup>                                  | 1,098   | 849     | 724     | 811     | 1,278   | 1,281   |
| <b>Department of Juvenile Corrections</b>                       |         |         |         |         |         |         |
| Number of Juveniles in the System                               | 676     | 709     | 725     | 710     | 744     | 659     |
| Rate of Recombinment to DJC Custody                             | 11.4%   | 15.2%   | 11.0%   | 11.6%   | 11.7%   | 18.4%   |
| <b>Health and Human Services</b>                                |         |         |         |         |         |         |
| <b>Department of Health and Welfare<sup>1</sup></b>             |         |         |         |         |         |         |
| Medicaid Enrollees <sup>3</sup>                                 | 169,511 | 178,694 | 178,858 | 184,508 | 184,465 | 191,989 |
| Percent of Population                                           | 12.2%   | 12.6%   | 12.2%   | 12.3%   | 12.1%   | 12.4%   |
| Food Stamp Recipients                                           | 92,963  | 94,956  | 91,032  | 86,946  | 95,433  | 124,826 |
| Percent of Population                                           | 6.7%    | 6.7%    | 6.2%    | 5.8%    | 6.3%    | 8.1%    |
| <b>Education</b>                                                |         |         |         |         |         |         |
| <b>Colleges and Universities<sup>1</sup></b>                    |         |         |         |         |         |         |
| Enrollment                                                      | 48,978  | 49,078  | 47,267  | 48,571  | 48,207  | 48,777  |
| Number of Certificates and Degrees Awarded                      | 7,231   | 8,506   | 8,386   | 8,733   | 8,550   | 8,739   |
| <b>Economic Development</b>                                     |         |         |         |         |         |         |
| <b>Idaho Transportation Department</b>                          |         |         |         |         |         |         |
| Percent of Pavement Which is Deficient <sup>1</sup>             | 19%     | 19%     | 19%     | 20%     | 19%     | 20%     |
| Vehicles Weighed ( <i>in thousands</i> )                        | 2,630   | 2,760   | 3,090   | 2,800   | 2,700   | 2,400   |
| <b>Department of Labor</b>                                      |         |         |         |         |         |         |
| Individuals Registered for Employment                           | 191,346 | 206,422 | 184,178 | 175,178 | 222,606 | 284,205 |
| Job Openings Received                                           | 68,533  | 83,951  | 101,502 | 96,239  | 77,012  | 46,967  |
| <b>Department of Agriculture</b>                                |         |         |         |         |         |         |
| Conduct Disease Tests on Animals <sup>4</sup>                   | 422,751 | 253,960 | 118,821 | 208,338 | 303,184 | 367,698 |
| Inspections of Dairy Farms                                      | 4,282   | 3,378   | 6,866   | 6,632   | 5,897   | 7,919   |
| <b>Natural Resources</b>                                        |         |         |         |         |         |         |
| <b>Department of Environmental Quality</b>                      |         |         |         |         |         |         |
| Air Quality Sites Monitored                                     | 64      | 37      | 42      | 35      | 31      | 42      |
| Water Sites Monitored <sup>5</sup>                              | 442     | 673     | 658     | 506     | 610     | 0       |
| <b>Department of Fish and Game</b>                              |         |         |         |         |         |         |
| Citations and Warnings Issued                                   | 5,744   | 4,681   | 4,790   | 6,140   | 5,411   | 5,435   |
| Hatchery Fish Raised ( <i>in thousands</i> ) <sup>2</sup>       | 38,099  | 41,740  | 40,649  | 35,502  | 29,573  | 22,676  |
| Hunting and Fishing Licenses Sold <sup>2</sup>                  | 527,164 | 539,590 | 521,489 | 572,617 | 536,681 | 571,179 |
| <b>Department of Lands<sup>1</sup></b>                          |         |         |         |         |         |         |
| Forest Products Harvested ( <i>in million board feet</i> )      | 254     | 188     | 206     | 215     | 225     | 190     |
| Fires Responded to on IDL Land                                  | 292     | 228     | 445     | 349     | 247     | 352     |
| <b>Department of Parks and Recreation</b>                       |         |         |         |         |         |         |
| Park Visitation ( <i>in thousands</i> ) <sup>1, 2, 6</sup>      | 2,358   | 2,648   | 2,738   | 4,248   | 4,203   | 4,460   |
| Recreational Registrations ( <i>in thousands</i> ) <sup>6</sup> | 233     | 237     | 256     | 273     | 274     | 286     |

Sources: Idaho Division of Financial Management; Idaho State Tax Commission; Office of the Idaho State Controller; Idaho State Police; Idaho State Board of Education; and the Idaho Departments of Administration, Correction, Juvenile Corrections, Health and Welfare, Transportation, Labor, Agriculture, Environmental Quality, Fish and Game, Lands, and Parks and Recreation.

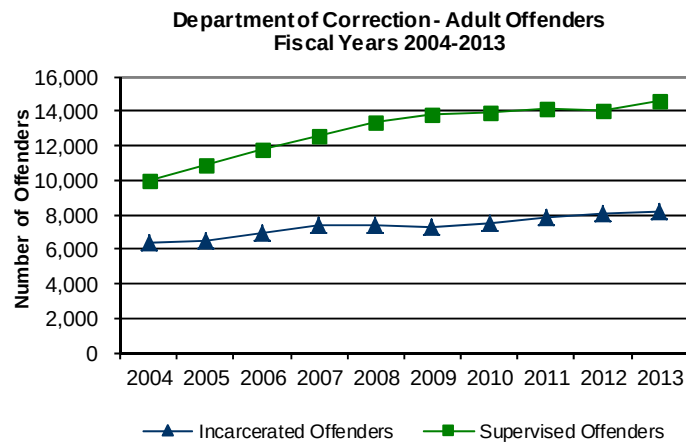
Note: Operating indicators for fiscal years 2012 and 2013 are estimates unless otherwise noted below.

<sup>1</sup>Operating indicators for 2012 are actual amounts, not estimates.

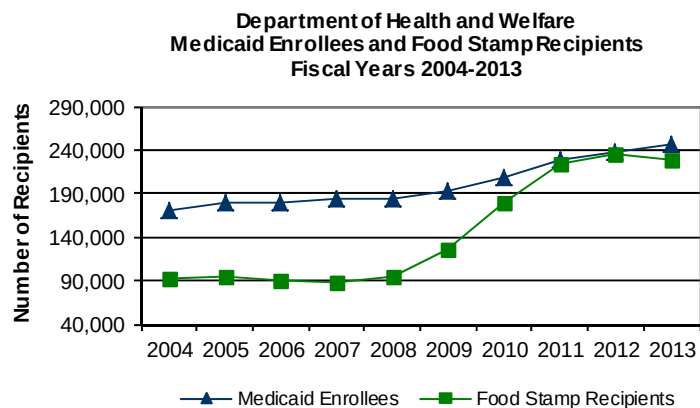
<sup>2</sup>Operating indicators are reported on a calendar year basis.

<sup>3</sup>In fiscal year 2007 the Department of Health and Welfare changed methods for calculating the number of Medicaid enrollees.

| 2010   | 2011   | 2012   | 2013   |
|--------|--------|--------|--------|
| 2,226  | 2,260  | 2,316  | 2,350  |
| 492    | 543    | 568    | 587    |
| 431    | 399    | 345    | 293    |
| 19,343 | 18,942 | 19,018 | 19,247 |
| 7,504  | 7,800  | 8,097  | 8,221  |
| 13,902 | 14,175 | 14,052 | 14,632 |
| 982    | 1,021  | 1,454  | 1,411  |
| 2,441  | 2,003  | 1,845  | 1,659  |
| 1,163  | 1,262  | 1,145  | 1,101  |
| 568    | 529    | 553    | 550    |
| 17.0%  | 15.0%  | 12.0%  | 18.2%  |



|         |         |         |         |
|---------|---------|---------|---------|
| 209,126 | 227,991 | 238,165 | 247,151 |
| 13.4%   | 14.4%   | 14.9%   | 15.3%   |
| 179,074 | 223,370 | 235,502 | 229,586 |
| 11.4%   | 14.1%   | 14.8%   | 14.2%   |



|        |        |        |        |
|--------|--------|--------|--------|
| 49,574 | 49,153 | 53,530 | 51,526 |
| 8,760  | 9,306  | 9,980  | 10,382 |
| 18%    | 16%    | 13%    | 14%    |
| 2,400  | 2,400  | 2,314  | 2,281  |

|         |         |         |         |
|---------|---------|---------|---------|
| 334,896 | 331,449 | 301,338 | 277,111 |
| 47,956  | 69,323  | 57,189  | 80,283  |

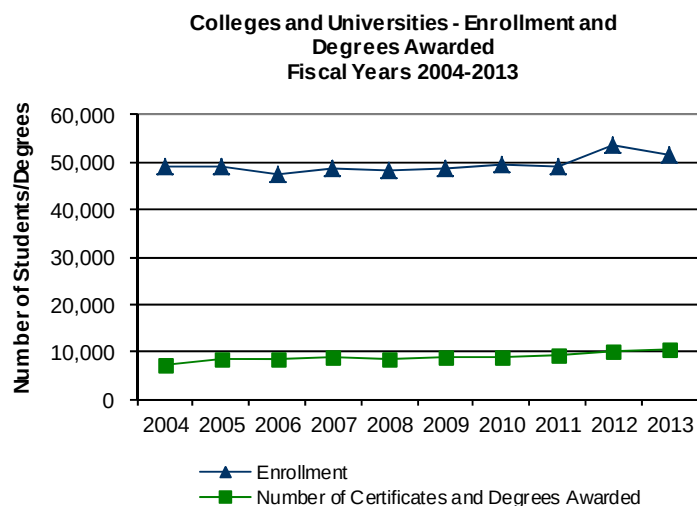
|         |         |         |         |
|---------|---------|---------|---------|
| 362,905 | 676,604 | 100,454 | 110,944 |
| 6,932   | 7,653   | 8,024   | 8,786   |

|     |     |     |     |
|-----|-----|-----|-----|
| 41  | 43  | 39  | 40  |
| 128 | 101 | 237 | 237 |

|         |         |         |         |
|---------|---------|---------|---------|
| 4,799   | 4,053   | 4,175   | 3,480   |
| 27,085  | 32,351  | 23,007  | 23,837  |
| 548,949 | 523,698 | 573,714 | 566,460 |

|     |     |     |    |
|-----|-----|-----|----|
| 212 | 273 | 287 | NA |
| 183 | 249 | 187 | NA |

|       |       |       |    |
|-------|-------|-------|----|
| 4,389 | 4,783 | 4,638 | NA |
| 272   | 268   | 262   | NA |



<sup>4</sup>In fiscal years 2011 and 2012 the increase and decrease in disease testing on animals are attributed to brucellosis testing.

<sup>5</sup>In fiscal year (FY) 2009 the Department of Environmental Quality suspended surface water monitoring activities due to the FY2009 budget cuts.

<sup>6</sup>Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

**Schedule 16 - Capital Assets by Function**  
**Fiscal Years 2004-2013**

|                                                               | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   |
|---------------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>General Government</b>                                     |        |        |        |        |        |        |        |        |        |        |
| <b>Department of Administration</b>                           |        |        |        |        |        |        |        |        |        |        |
| Buildings ( <i>square footage in thousands</i> )              | 661    | 733    | 741    | 741    | 728    | 728    | 728    | 728    | 728    | 728    |
| <b>Public Safety and Correction</b>                           |        |        |        |        |        |        |        |        |        |        |
| <b>Department of Correction</b>                               |        |        |        |        |        |        |        |        |        |        |
| Buildings                                                     | 85     | 93     | 94     | 97     | 97     | 98     | 101    | 104    | 105    | 80     |
| Vehicles                                                      | 330    | 334    | 339    | 353    | 392    | 342    | 359    | 367    | 384    | 401    |
| <b>Idaho State Police</b>                                     |        |        |        |        |        |        |        |        |        |        |
| Vehicles                                                      | 454    | 425    | 422    | 441    | 431    | 443    | 431    | 459    | 419    | 430    |
| Machinery and Equipment                                       | 807    | 812    | 783    | 846    | 867    | 928    | 810    | 915    | 857    | 886    |
| <b>Department of Juvenile Corrections</b>                     |        |        |        |        |        |        |        |        |        |        |
| Buildings ( <i>square footage in thousands</i> )              | 252    | 252    | 252    | 252    | 250    | 250    | 239    | 239    | 242    | 224    |
| Vehicles                                                      | 46     | 53     | 53     | 52     | 54     | 53     | 56     | 56     | 54     | 56     |
| <b>Health and Human Services</b>                              |        |        |        |        |        |        |        |        |        |        |
| <b>Department of Health and Welfare</b>                       |        |        |        |        |        |        |        |        |        |        |
| Buildings ( <i>square footage in thousands</i> ) <sup>1</sup> | 928    | 928    | 928    | 914    | 914    | 978    | 934    | 801    | 1,395  | 1,287  |
| Vehicles                                                      | 518    | 490    | 517    | 539    | 518    | 520    | 501    | 485    | 480    | 431    |
| <b>Education</b>                                              |        |        |        |        |        |        |        |        |        |        |
| <b>Colleges and Universities</b>                              |        |        |        |        |        |        |        |        |        |        |
| Buildings ( <i>square footage in thousands</i> )              | 11,743 | 11,919 | 12,265 | 12,539 | 12,890 | 13,612 | 13,931 | 14,198 | 15,024 | 15,098 |
| <b>Economic Development</b>                                   |        |        |        |        |        |        |        |        |        |        |
| <b>Idaho Transportation Department</b>                        |        |        |        |        |        |        |        |        |        |        |
| Highway Lane Miles <sup>2</sup>                               | 11,852 | 11,874 | 11,874 | 11,877 | 11,930 | 11,944 | 11,989 | 11,998 | 12,222 | 12,222 |
| Vehicles <sup>3</sup>                                         | 849    | 755    | 804    | 818    | 801    | 837    | 848    | 823    | 841    | 823    |
| Heavy Equipment <sup>3</sup>                                  | 1,428  | 1,443  | 1,382  | 1,444  | 1,494  | 1,535  | 1,536  | 1532   | 1543   | 1407   |
| <b>Department of Agriculture</b>                              |        |        |        |        |        |        |        |        |        |        |
| Scientific and Laboratory Equipment                           | 145    | 147    | 156    | 162    | 165    | 176    | 165    | 153    | 160    | 152    |
| Vehicles                                                      | 158    | 166    | 191    | 209    | 201    | 195    | 196    | 177    | 195    | 203    |
| <b>Natural Resources</b>                                      |        |        |        |        |        |        |        |        |        |        |
| <b>Department of Environmental Quality<sup>4</sup></b>        |        |        |        |        |        |        |        |        |        |        |
| Air Monitoring Instruments                                    | 125    | 126    | 131    | 119    | 124    | 166    | 167    | 171    | 196    | 185    |
| Water Sampling/Quality Equipment                              | 82     | 88     | 94     | 87     | 88     | 76     | 78     | 78     | 80     | 81     |
| <b>Department of Fish and Game</b>                            |        |        |        |        |        |        |        |        |        |        |
| Hatcheries                                                    | 19     | 19     | 19     | 19     | 22     | 22     | 23     | 23     | 23     | 23     |
| Vehicles                                                      | 722    | 766    | 692    | 646    | 621    | 670    | 636    | 638    | 665    | 682    |
| Boats                                                         | 302    | 302    | 296    | 289    | 286    | 287    | 281    | 280    | 279    | 287    |
| Wildlife Management Areas                                     | 33     | 33     | 33     | 33     | 33     | 33     | 32     | 32     | 32     | 32     |
| <b>Department of Lands</b>                                    |        |        |        |        |        |        |        |        |        |        |
| Acres of Land ( <i>in thousands</i> ) <sup>2</sup>            | 2,462  | 2,460  | 2,460  | 2,460  | 2,461  | 2,460  | 2,446  | 2,449  | 2,448  | 2,448  |
| Vehicles                                                      | 361    | 341    | 346    | 353    | 351    | 350    | 356    | 343    | 362    | 359    |
| <b>Department of Parks and Recreation</b>                     |        |        |        |        |        |        |        |        |        |        |
| State Parks                                                   | 34     | 34     | 34     | 35     | 35     | 35     | 30     | 30     | 30     | 30     |
| Acres of State Park Land ( <i>in thousands</i> )              | 60     | 60     | 60     | 61     | 61     | 61     | 60     | 60     | 60     | 60     |
| Buildings                                                     | 273    | 282    | 288    | 317    | 322    | 329    | 344    | 341    | 357    | 360    |
| Vehicles                                                      | 232    | 240    | 257    | 288    | 312    | 343    | 329    | 320    | 313    | 327    |

Sources: Office of the Idaho State Controller; Idaho Departments of Juvenile Corrections, Health and Welfare, Transportation, Environmental Quality, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: The Idaho State Tax Commission, the Department of Commerce, and the Department of Labor are not capital-asset intensive.

<sup>1</sup>Fiscal years 2012 and 2013 include leased buildings.

<sup>2</sup>Highway lane miles and acres of land for fiscal year 2013 are based on estimates.

<sup>3</sup>Vehicle and heavy equipment figures for fiscal years 2004-2012 are revised.



## Schedule 17 - Assets, Liabilities, and Fund Balances

## General Fund Accounts

June 30, 2013

(dollars in thousands)

|                                            | State<br>General<br>Account | Permanent<br>Building | Budget<br>Stabilization | Millennium       | Income<br>Earnings |
|--------------------------------------------|-----------------------------|-----------------------|-------------------------|------------------|--------------------|
| <b>ASSETS</b>                              |                             |                       |                         |                  |                    |
| Cash and Cash Equivalents                  | \$2                         |                       |                         |                  |                    |
| Pooled Cash and Investments                | 343,884                     | \$34,042              | \$136,143               | \$25,347         | \$98,603           |
| Investments                                |                             | 10,793                |                         |                  | 276                |
| Securities Lending Collateral              | 489,942                     |                       |                         |                  |                    |
| Accounts Receivable, Net                   | 427                         | 9                     |                         | 12,500           |                    |
| Taxes Receivable, Net                      | 276,352                     | 2,170                 |                         |                  | 343                |
| Interfund Receivables                      | 5,613                       | 4,846                 |                         |                  |                    |
| Inventories and Prepaid Items              | 2,034                       | 67                    |                         |                  |                    |
| Loans, Notes, and Pledges Receivable, Net  |                             |                       |                         |                  |                    |
| Other Assets                               | 6                           | 45                    |                         |                  | 2                  |
| Restricted Assets:                         |                             |                       |                         |                  |                    |
| Cash and Cash Equivalents                  |                             |                       |                         | 111              |                    |
| Investments                                |                             |                       |                         | 173,182          |                    |
| <b>Total Assets</b>                        | <b>\$1,118,260</b>          | <b>\$51,972</b>       | <b>\$136,143</b>        | <b>\$211,140</b> | <b>\$99,224</b>    |
| <b>LIABILITIES AND FUND BALANCES</b>       |                             |                       |                         |                  |                    |
| <b>Liabilities</b>                         |                             |                       |                         |                  |                    |
| Accounts Payable                           | \$262,597                   | \$2,727               |                         | \$108            | \$13               |
| Payroll and Related Liabilities            | 12,444                      | 89                    |                         |                  | 33                 |
| Interfund Payables                         | 1,807                       |                       |                         |                  | 61                 |
| Due to Other Entities                      |                             |                       |                         |                  |                    |
| Deferred Revenue                           | 81,835                      | 6,266                 |                         | 12,500           | 3                  |
| Amounts Held in Trust for Others           | 770                         |                       |                         |                  |                    |
| Obligations Under Securities Lending       | 489,942                     |                       |                         |                  |                    |
| Other Accrued Liabilities                  | 310                         | 995                   |                         |                  |                    |
| <b>Total Liabilities</b>                   | <b>849,705</b>              | <b>10,077</b>         |                         | <b>12,608</b>    | <b>110</b>         |
| <b>Fund Balances</b>                       |                             |                       |                         |                  |                    |
| Nonspendable:                              |                             |                       |                         |                  |                    |
| Inventories and Prepaid Items              | 2,034                       | 67                    |                         |                  |                    |
| Noncurrent Receivables                     |                             |                       |                         |                  |                    |
| Restricted                                 |                             |                       |                         | 179,739          |                    |
| Committed                                  |                             | 41,828                |                         |                  | 99,114             |
| Assigned                                   | 2,067                       |                       |                         |                  |                    |
| Unassigned                                 | 264,454                     |                       | \$136,143               | 18,793           |                    |
| <b>Total Fund Balances</b>                 | <b>268,555</b>              | <b>41,895</b>         | <b>136,143</b>          | <b>198,532</b>   | <b>99,114</b>      |
| <b>Total Liabilities and Fund Balances</b> | <b>\$1,118,260</b>          | <b>\$51,972</b>       | <b>\$136,143</b>        | <b>\$211,140</b> | <b>\$99,224</b>    |

| Sales Tax | Income Tax Refunds | Catastrophic Health Care | Legislative | Warrant Deficiency | Miscellaneous | Total       |
|-----------|--------------------|--------------------------|-------------|--------------------|---------------|-------------|
|           |                    |                          |             |                    | \$1,241       | \$1,243     |
| \$42,288  | \$1,969            | \$236                    | \$3,648     | (\$11,875)         | 110,228       | 784,513     |
|           |                    |                          |             |                    | 4,917         | 15,986      |
|           |                    |                          |             |                    |               | 489,942     |
|           |                    |                          |             | 7,287              | 1,240         | 21,463      |
| 17,837    | 39,953             |                          |             |                    | 324           | 336,979     |
|           |                    |                          |             |                    | 329           | 10,788      |
|           |                    |                          |             | 6,933              | 208           | 9,242       |
|           |                    |                          |             |                    | 1,264         | 1,264       |
|           |                    |                          |             |                    | 41            | 94          |
| 240       |                    |                          |             |                    | 3,872         | 4,223       |
|           |                    |                          |             |                    | 1,087         | 174,269     |
| \$60,365  | \$41,922           | \$236                    | \$3,648     | \$2,345            | \$124,751     | \$1,850,006 |
|           | \$84               |                          |             | \$69               | \$601         | \$266,199   |
|           |                    |                          | \$137       | 416                | 1,417         | 14,536      |
|           |                    |                          |             | 6                  | 9             | 1,883       |
| \$47,876  |                    |                          |             |                    |               | 47,876      |
| 1,548     | 17,351             |                          |             |                    | 3,455         | 122,958     |
|           |                    |                          |             |                    | 20,756        | 21,526      |
|           |                    |                          |             |                    |               | 489,942     |
|           |                    |                          |             |                    | 117           | 1,422       |
| 49,424    | 17,435             |                          | 137         | 491                | 26,355        | 966,342     |
|           |                    |                          |             | 6,933              | 208           | 9,242       |
|           |                    |                          |             |                    | 50            | 50          |
| 10,941    | 24,487             |                          |             |                    | 4,104         | 219,271     |
|           |                    | \$236                    |             |                    | 54,301        | 195,479     |
|           |                    |                          | 3,511       |                    | 58,228        | 63,806      |
|           |                    |                          |             | (5,079)            | (18,495)      | 395,816     |
| 10,941    | 24,487             | 236                      | 3,511       | 1,854              | 98,396        | 883,664     |
| \$60,365  | \$41,922           | \$236                    | \$3,648     | \$2,345            | \$124,751     | \$1,850,006 |

## Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances

## General Fund Accounts

For the Fiscal Year Ended June 30, 2013

(dollars in thousands)

|                                             | State<br>General<br>Account | Permanent<br>Building | Budget<br>Stabilization | Millennium       | Income<br>Earnings |
|---------------------------------------------|-----------------------------|-----------------------|-------------------------|------------------|--------------------|
| <b>REVENUES</b>                             |                             |                       |                         |                  |                    |
| Sales Tax                                   | \$1,111,995                 | \$5,000               |                         |                  |                    |
| Individual and Corporate Taxes              | 1,489,960                   | 6,880                 |                         |                  | \$719              |
| Other Taxes                                 | 31,522                      | 18,392                |                         |                  | 4,422              |
| Licenses, Permits, and Fees                 | 9,447                       |                       |                         |                  | 1,345              |
| Sale of Goods and Services                  | 690                         | 135                   |                         |                  | 4,245              |
| Grants and Contributions                    | 46                          |                       |                         |                  | 32                 |
| Investment Income                           | 11,926                      | 188                   | \$5                     | \$17,960         | 602                |
| Tobacco Settlement                          |                             |                       |                         | 24,912           |                    |
| Other Income                                | 3,606                       | 81                    |                         |                  | 67                 |
| <b>Total Revenues</b>                       | <b>2,659,192</b>            | <b>30,676</b>         | <b>5</b>                | <b>42,872</b>    | <b>11,432</b>      |
| <b>EXPENDITURES</b>                         |                             |                       |                         |                  |                    |
| Current:                                    |                             |                       |                         |                  |                    |
| General Government                          | 81,728                      | 28,994                |                         | 722              | 753                |
| Public Safety and Correction                | 248,003                     |                       |                         | 2,572            | 1,482              |
| Health and Human Services                   |                             |                       |                         | 2,673            | 3,661              |
| Education                                   | 104,586                     |                       |                         |                  | 1,293,260          |
| Economic Development                        | 20,813                      |                       |                         |                  | 613                |
| Natural Resources                           | 15,769                      |                       |                         |                  |                    |
| Capital Outlay                              | 5,912                       | 27,570                | 153                     |                  | 388                |
| Intergovernmental Revenue Sharing           | 21,162                      |                       |                         | 94               | 2,400              |
| Debt Service:                               |                             |                       |                         |                  |                    |
| Principal Retirement                        | 843                         | 186                   |                         |                  |                    |
| Interest and Other Charges                  | 11,687                      | 156                   |                         |                  |                    |
| <b>Total Expenditures</b>                   | <b>510,503</b>              | <b>56,906</b>         | <b>153</b>              | <b>6,061</b>     | <b>1,302,557</b>   |
| <b>Revenues Over (Under) Expenditures</b>   | <b>2,148,689</b>            | <b>(26,230)</b>       | <b>(148)</b>            | <b>36,811</b>    | <b>(1,291,125)</b> |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                             |                       |                         |                  |                    |
| Capital Lease Acquisitions                  | 178                         |                       |                         |                  |                    |
| Sale of Capital Assets                      | 138                         |                       |                         |                  |                    |
| Transfers In                                | 2,789,655                   | 47,942                | 111,841                 | 14,215           | 1,408,437          |
| Transfers Out                               | (4,906,906)                 | (33,256)              | (1)                     | (14,215)         | (102,914)          |
| <b>Total Other Financing Sources (Uses)</b> | <b>(2,116,935)</b>          | <b>14,686</b>         | <b>111,840</b>          |                  | <b>1,305,523</b>   |
| <b>Net Changes in Fund Balances</b>         | <b>31,754</b>               | <b>(11,544)</b>       | <b>111,692</b>          | <b>36,811</b>    | <b>14,398</b>      |
| <b>Fund Balances - Beginning of Year</b>    | <b>236,801</b>              | <b>53,439</b>         | <b>24,451</b>           | <b>161,721</b>   | <b>84,716</b>      |
| <b>Fund Balances - End of Year</b>          | <b>\$268,555</b>            | <b>\$41,895</b>       | <b>\$136,143</b>        | <b>\$198,532</b> | <b>\$99,114</b>    |

| Sales Tax | Income<br>Tax<br>Refunds | Catastrophic<br>Health Care | Legislative | Warrant<br>Deficiency | Miscellaneous | General Account<br>Transfer<br>Eliminations | Total       |
|-----------|--------------------------|-----------------------------|-------------|-----------------------|---------------|---------------------------------------------|-------------|
| \$182,656 | \$11,105                 |                             |             |                       | \$2,827       |                                             | \$1,313,583 |
|           | 15,911                   |                             |             |                       | 18,505        |                                             | 1,531,975   |
|           | 7,248                    |                             |             |                       | 692           |                                             | 62,276      |
|           |                          | \$127                       |             | \$89                  | 8,440         |                                             | 19,448      |
|           |                          |                             |             | 38                    | 22,948        |                                             | 28,056      |
|           |                          |                             |             |                       | 23,794        |                                             | 23,872      |
|           |                          | 107                         |             |                       | 3,570         |                                             | 34,358      |
|           |                          |                             |             |                       |               |                                             | 24,912      |
|           |                          | 3,563                       |             | 9,774                 | 33,202        |                                             | 50,293      |
| 182,656   | 34,264                   | 3,797                       |             | 9,901                 | 113,978       |                                             | 3,088,773   |
|           |                          |                             | \$6,116     | 48                    | 12,061        |                                             | 130,422     |
|           |                          |                             |             |                       | 6,330         |                                             | 258,387     |
|           |                          | 30,710                      |             |                       |               |                                             | 37,044      |
|           |                          |                             |             |                       | 50,109        |                                             | 1,447,955   |
|           |                          |                             |             | 1,459                 | 15,013        |                                             | 37,898      |
|           |                          |                             |             | 14,933                | 3,699         |                                             | 34,401      |
|           |                          | 2                           | 95          | 132                   | 3,846         |                                             | 38,098      |
| 190,836   | 719                      |                             |             |                       | 5,931         |                                             | 221,142     |
|           |                          |                             |             |                       |               |                                             | 1,029       |
|           |                          |                             |             |                       | 1             |                                             | 11,844      |
| 190,836   | 719                      | 30,712                      | 6,211       | 16,572                | 96,990        |                                             | 2,218,220   |
| (8,180)   | 33,545                   | (26,915)                    | (6,211)     | (6,671)               | 16,988        |                                             | 870,553     |
|           |                          |                             |             |                       |               |                                             | 178         |
|           |                          |                             |             |                       | 167           |                                             | 305         |
|           |                          | 36,533                      | 6,046       | 6,390                 | 62,075        | (\$4,273,965)                               | 209,169     |
|           | (22,047)                 | (9,033)                     |             |                       | (68,797)      | 4,273,965                                   | (883,204)   |
|           | (22,047)                 | 27,500                      | 6,046       | 6,390                 | (6,555)       |                                             | (673,552)   |
| (8,180)   | 11,498                   | 585                         | (165)       | (281)                 | 10,433        |                                             | 197,001     |
| 19,121    | 12,989                   | (349)                       | 3,676       | 2,135                 | 87,963        |                                             | 686,663     |
| \$10,941  | \$24,487                 | \$236                       | \$3,511     | \$1,854               | \$98,396      |                                             | \$883,664   |

## Schedule 19 - Miscellaneous Statistics

| State Facts             |                                     | Twenty Largest Communities in Idaho |         |
|-------------------------|-------------------------------------|-------------------------------------|---------|
| State Capital           | Boise                               | Boise                               | 212,303 |
| Admitted to the Union   | July 3, 1890                        | Nampa                               | 83,930  |
| Nickname                | The Gem State                       | Meridian                            | 80,386  |
| Motto                   | Esto Perpetua (Let It Be Perpetual) | Idaho Falls                         | 57,899  |
| Population              | 1,613,700                           | Pocatello                           | 54,777  |
| Highest Elevation Point | Mt. Borah                           | Caldwell                            | 47,668  |
|                         | 12,662 Feet Above Sea Level         | Coeur d'Alene                       | 45,579  |
| Lowest Elevation Point  | Snake River at Lewiston             | Twin Falls                          | 45,158  |
|                         | 710 Feet Above Sea Level            | Lewiston                            | 32,051  |
| Number of Lakes         | More Than 2,000                     | Post Falls                          | 28,651  |
| State Bird              | Mountain Bluebird                   | Rexburg                             | 25,732  |
| State Fish              | Cutthroat Trout                     | Moscow                              | 24,499  |
| State Flower            | Syringa                             | Eagle                               | 21,025  |
| State Gem Stone         | Idaho Star Garnet                   | Kuna                                | 16,189  |
| State Horse             | Appaloosa                           | Chubbuck                            | 14,199  |
| State Insect            | Monarch Butterfly                   | Ammon                               | 14,166  |
| State Song              | "Here We Have Idaho"                | Mountain Home                       | 13,791  |
| State Tree              | Western White Pine                  | Hayden                              | 13,549  |
|                         |                                     | Blackfoot                           | 11,852  |
|                         |                                     | Garden City                         | 11,251  |

Source: *Idaho Blue Book, 2013-2014**Idaho Fiscal Facts, 2013*Source: *Idaho Fiscal Facts, 2013*

| Land Area and Use<br>(in square miles) |        | Idaho Commodity Rankings |           |        |
|----------------------------------------|--------|--------------------------|-----------|--------|
|                                        |        | Commodity                | U.S. Rank | U.S. % |
| Land Area                              | 83,557 | Potatoes                 | 1         | 30     |
| Water Area                             | 880    | Austrian Winter Peas     | 1         | 47     |
| Federal Land                           | 52,715 | Barley                   | 1         | 30     |
| Total Non-Federal Land                 | 30,842 | Wrinkled Seed Peas       | 2         | 27     |
| Total Rural Land                       | 79,379 | Sugarbeets               | 2         | 21     |
| Agricultural Land                      | 12,534 | All Mint                 | 3         | 20     |
| Range Land                             | 34,258 | Hops                     | 3         | 8      |
| Forest Land                            | 32,587 | Lentils                  | 4         | 7      |
|                                        |        | Dry Edible Peas          | 4         | 5      |
|                                        |        | Dry Edible Beans         | 5         | 9      |
|                                        |        | Sweet Cherries           | 5         | 1      |
|                                        |        | All Wheat                | 5         | 6      |
|                                        |        | All Hay                  | 9         | 4      |
|                                        |        | Apples                   | 11        | 1      |

Source: *Idaho Blue Book, 2013-2014**Idaho Fiscal Facts, 2013*Source: *Idaho Fiscal Facts, 2013*

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.



*Old Barn on York Road near Idaho Falls, Idaho*

Photo Courtesy of Mike Hargis



Caribou County Homestead

Courtesy of Jake Putnam



Office of the State Controller  
700 W. State Street • P.O. Box 83720 • Boise, ID 83720-0011  
(208) 334-3150 • [www.sco.idaho.gov](http://www.sco.idaho.gov)